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COMMODITIES & OIL

FILE No. MCP 359/1 (Part A)

TITLE: OIL : IRAQ :

GOVERNMENT POLICY & I. P. C.

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JW.		22/11						
JW/PGW	{ 38 39 40.	6/12						
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FILE NO.

PART

CONFIDENTIAL

CYPHER/CAT A AND BY BAG
PRIORITY FOREIGN OFFICE
TELEGRAM NUMBER 300

TO BAGHDAD
2 OCTOBER 1968 (COD)

CONFIDENTIAL.

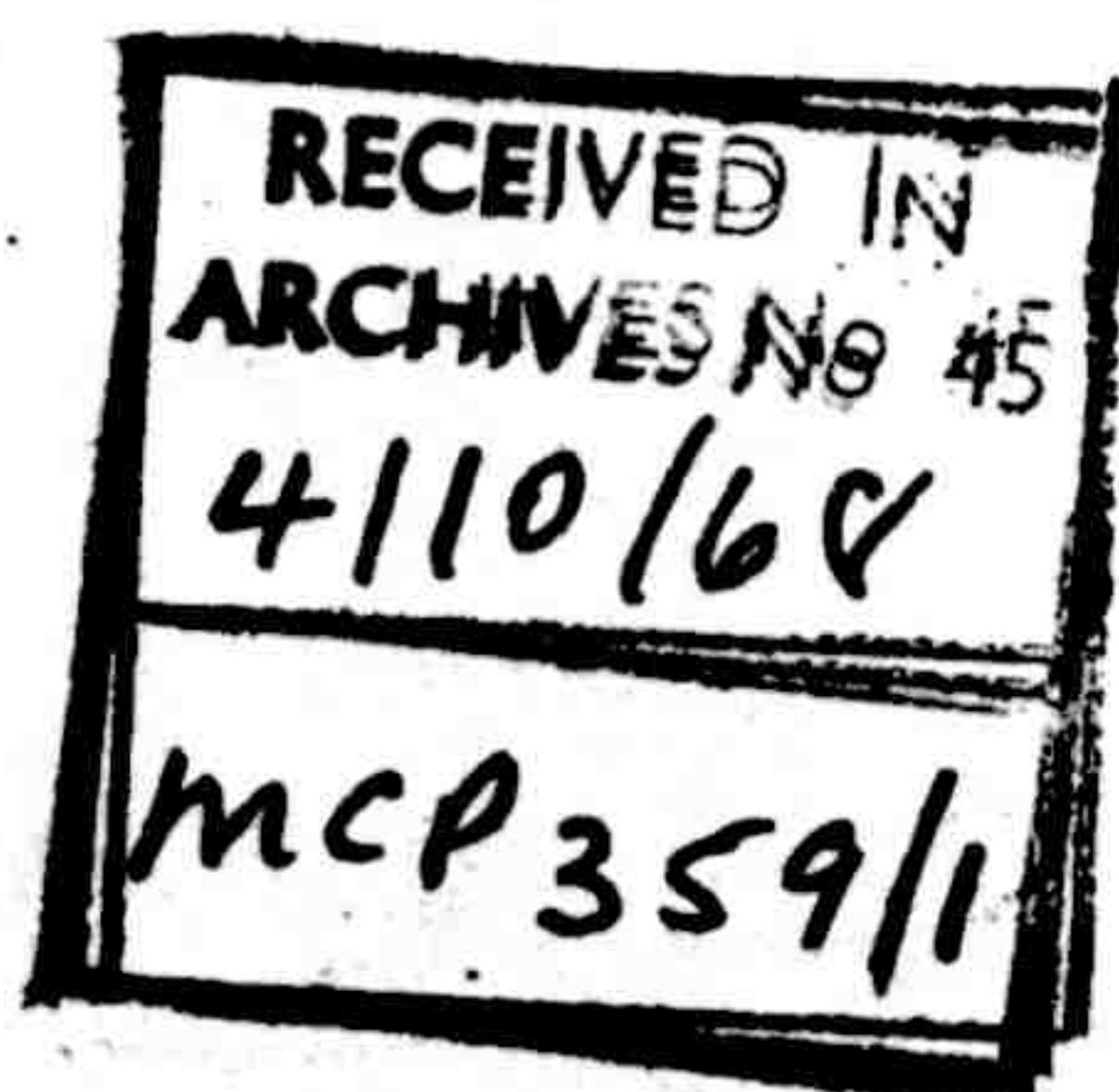
ADDRESSED TO BAGHDAD TELEGRAM NUMBER 300 OF 2 OCTOBER
REPEATED FOR INFORMATION SAVING TO BEIRUT THE HAGUE PARIS
TEHRAN AND WASHINGTON.

YOUR TELNO 233. **166** -193/7.
MEETING WITH IRAQ MINISTER OF OIL.
YOU SPOKE WELL.

2. WE HAVE TOLD IRAQ PETROLEUM COMPANY OF YOUR CONVERSATION
WITH THE MINISTER FOR THE CONFIDENTIAL INFORMATION OF THE
GROUPS. IPC MANAGEMENT WERE PARTICULARLY INTERESTED IN THE
MINISTER'S DECLARED READINESS FOR TALKS, COMMENTING THAT THIS
CONTRASTED WITH ADVICE FROM UNDER-SECRETARY GHULAM HUSAIN
THAT TIME WAS NOT YET RIPE.

SOSBA

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JTF
2/10

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<i>En Clair.</i> <i>Code</i> <i>Cypher</i>

Draft Telegram to:—

BAGHDAD

No. 300

(Date) 2/10/68

And to:—

Saving
Repeating.

BEIRUT
THE HAGUE
PARIS
TEHRAN
WASHINGTON

Saving to:—

Departmental
Distribution:—
Commodities & Oil
Eastern, Arabian
NEAD, IRD

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M. Gregory (Paw)
M. Dernick (Tin)

2/10
11502
2/10/68

(Date)

Despatched

2/10
1369
CYPHER

[Security classification
—if any] CONFIDENTIAL

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Addressed to BAGHDAD

telegram No. 300 (date) 2 OCTOBER

And to _____

Saving
repeated for information/to BEIRUT THE HAGUE PARIS

TEHRAN WASHINGTON

Saving to _____

Your telegram No. 283 [of 29 September]:

Meeting with Iraq Minister of Oil.

You spoke well.
2. We have told Iraq Petroleum Company of your conversation with the Minister for the confidential information of the Groups. IPC management were particularly interested in the Minister's declared readiness for talks, commenting that this contrasted with advice from Under-Secretary Ghulam Husain that time was not yet ripe.

u

2/10

(2)

TOP COPY

CYPHER/CATA

CONFIDENTIAL

ROUTINE FOREIGN OFFICE

TO BAGHDAD

TELEGRAM NUMBER 301

2 OCTOBER 1968 (COD)

CONFIDENTIAL.

YOUR TELEGRAM NUMBER 291 OF 1 OCTOBER: IRAQ OIL.

WE HAVE GIVEN IRAQ PETROLEUM COMPANY GIST OF YOUR TELEGRAM NUMBER 292. THIS TALLIED BROADLY WITH THEIR OWN INFORMATION FROM ROAD.

2. IPC GROUPS ARE STILL CONSIDERING WHAT THEIR NEXT MOVE MIGHT BE, AMONGST OTHER THINGS WHETHER OR NOT TO STIMULATE THE MINISTER OF OIL INTO EXPRESSING DIRECT TO THE IPC HIS APPARENT READINESS FOR TALKS. IN THE MEANTIME HAHN IS REMAINING HERE.

SOSFA.

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EASTERN DPT
ARABIAN DEPT

N.E.A.D.

RECEIVED IN
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4/10/68
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359/1

&&&&&

CONFIDENTIAL

P.A.
J.W.10.

Registry No.
DEPARTMENT COD

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Draft Telegram to:—

BAGHDAD

No. 301

(Date) 2/10

And to:—

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to:—

Your telegram No. 291 [of 1 October] : Iraq Oil.

Repeat to:—

We have given Iraq Petroleum Company gist of your telegram No. 292. This tallied broadly with their own information from Road.

2. IPC Groups are still considering what their ~~amongst other things~~ next move might be, ~~for example~~ whether ~~they might~~ ~~into~~ ~~in some way~~ stimulate the Minister of Oil ~~to~~ expressing direct to the IPC his apparent readiness for talks.

In the meantime Hahn is remaining here.

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Commodities & Oil
Eastern,
Arabian, NEAD

4

2/10

Copies to:—
Mr. A. T. Gregory,
Min of Power
Mr. F. B. Derrick
Treasury

15802/2

CONFIDENTIAL

(3)

12/2

M² Farnley ~~Whitworth~~
Register & resubmit.
for dr. reply pse.



BRITISH EMBASSY,
BAGHDAD.

28 September 1967

OD19317

Dear Ellingworth.

(163)

W

4/10.

Possible leak of information about the
Iraq Petroleum Company's (IPC's) affairs

(See A)

F. O. telegram No. 287 to Baghdad mentioned in paragraph 6
IPC's fear of a leak of information about matters being discussed
between them and the Iraq Government.

2. As you know, until the break in relations with Syria and Iraq in June 1967, confidential messages between the IPC offices in Damascus and Baghdad and their head office in London were in exceptional circumstances sent in cypher over Foreign Office communications channels. This could not continue of course when we no longer had Embassies in the two Arab capitals, and the Company must have found alternative secure means. You may have noticed that IPC have not asked us to pass messages on their behalf between Baghdad and London since the re-opening of this post, and we had assumed that this was merely because the need had not arisen or that they had established their own confidential channel. The mention in the telegram under reference of possible leaks has however led us to wonder whether there was more than we thought at the time in a remark made by an IPC man here soon after our return in May. He had had a bit too much to drink, but what he said amounted to saying that the Company had reason to think that information passed over our channels prior to June 1967 had become known to the Iraqis and that the Company would not ask our help again. If the Company indeed have doubts about the security of our communications it is not surprising that they should be reluctant to use our channels; it may also go some way to explain why they are less than frank with you and us on occasion.

??

X

3. To judge by what the last Chief Local Representative told the Ambassador, the Company do not have their own wireless link between Baghdad and London (though they had one, it seems, between Tartous and London) and ~~that~~ they use the Iraqi P.T.T. channel, presumably in code. Or perhaps the French Embassy obliged during our absence?

Yours ever,

P. McKearney

(P. McKearney)

R. H. Ellingworth, Esq.,
Oil Department,
Foreign Office.

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mcl 359/1

X My impression is that recently confidential ~~with messages~~ exchanges
have been conducted orally in London after the Baghdad rep.
has returned.

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W 210

CONFIDENTIAL

(4)

Mr. Fearnley

Reference.....

283

(166)

OD 19317

Baghdad telegram no. 251: Iraqi Oil

In your absence, I telephoned Mr. Dalley this afternoon to give him the contents of this telegram. Mr. Dalley noted with particular care the latter part of paragraph 2 about royalty expensing and the ~~total~~ ^{total} double Iraqi claim; the allegation in paragraph 4 that the company representatives "would use delaying tactics" and if so what the consequences would be; and the Minister's point, reported in paragraph 7 of the telegram, that he and his colleagues had done their homework and were ready for talks at any time.

2. Mr. Dalley said that the IPC was faced with a difficult problem of judgment and that they were not yet of one mind. He and Mr. Hahn tended to think that it would be wise to take the opportunity afforded by recent Iraqi overtures and try again to reach a settlement. Certain shareholders, however, - and he made it clear that these were American ones - were firmly against further talks. Mr. Dalley said that he was by no means sure that his own opinion was right. It would certainly be very awkward if the Company having engaged in further talks found there was no basis for an agreement with the Iraqis. Their difficulties in reaching an agreed policy were increased by the conflicting opinions reaching them from the Iraqi side. By contrast with what the Minister was now saying to the Ambassador, the Under-Secretary in the Ministry of Oil, Ghulam Hussain, had advised them that the time was not yet ripe.

3. I asked Mr. Dalley if he would let us know if and when firm arrangements were made for the despatch of a negotiating team so that we might tell the Ambassador. In response to my question, Mr. Dalley said that there was no points he wished us to pass back to Baghdad at present.

P.W. &

P.A.

2
W.M. 10

R.H. Ellingworth
(R.H. Ellingworth)
30 September, 1968

Mr. Kearney

I attach a draft reply to Mr. McKeaney
on the lines we discussed.

John Weant
9/10.

Easter Dept a.a.

Confidential

Reference.....

(5)

M² ~~Fearnley~~

I.P.C.

Further to my minute of yesterday, M² Dalley telephoned to seek clearance to pass on to shareholders the gist of what I had told him about the Ambassador's interview with the Minister of Oil.

He said that this had sometimes been done before and that it of this talk seemed important to tell shareholders so that they could be properly informed of the indications of Iraqi intentions.

2. In discussion, we agreed that the Minister would certainly have intended his remarks to get back to the company and its shareholders. It seemed to me also that H.M. Ambassador / would

would in no way be embarrassed
if, for example, his friend colleague
came to learn of the case through
C.F.P. There was nothing sensitive
in what either side had said.

3. I therefore did not raise
objection to Mr. Dally passing
on in confidence what I had told
him.

W. Ellington
2/10.

W. Ellington

We spoke. I fully agree that
this is one of those occasions when we should
pass information to IPC for the confidential
information of the Groups as a whole. I
have sent a short telegram to
Baghdad on the lines we discussed.

J. D. Jenkins

2/10.

P.W. & P.A.

2/10
M.W.

CONFIDENTIAL

(6)

12/2

reg & resubmit.



Mr. T.

BRITISH EMBASSY,
BAGHDAD.

28 September 1968

Dear Ellingworth,

Iraq Petroleum Company (I.P.C.)

OD 19317.

(163)

F. O. telegram No. 287 to Baghdad.

2. For the record, you should know that the source of the information reported in our telegram No. 269 about Hahn's conversation with the Minister of Oil on 19 September was not Hahn himself but Sinclair Road, who was also present. Hahn left subsequently for Beirut.

Yours ever,

P. McKearney

(P. McKearney)

R. H. Ellingworth, Esq.,
Oil Department,
Foreign Office.

c.c. Beirut
The Hague
Paris
Tehran
Washington

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McP 359/1

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under reference.
P.A. (W.A.O.)

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7
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MC

CYPHER CAT A
ROUTINE BAGHDAD
TELEGRAM NUMBER 303

TO FOREIGN OFFICE
7 OCTOBER 1968

CONFIDENTIAL

ADDRESSED TO FOREIGN OFFICE TELNO 303 OF 7 OCT REPTD FOR INFMN
SAVING TO BEIRUT, THE HAGUE, PARIS, TEHRAN AND WASHINGTON.

① YOUR TELNO 303: IRAQI OIL.

1 YESTERDAY CALLED ON THE IRAQI DEPUTY PRIME MINISTER/ MINISTER OF DEFENCE, GENERAL TAKRITI, AND LATER ON THE IRAQI PRESIDENT, GENERAL BAKR, TO INTRODUCE MR ARTHUR, THE ASSISTANT UNDER SECRETARY OF STATE DESIGNATE WHO WILL BE RESPONSIBLE FOR MIDDLE EAST AFFAIRS.

2. GENERAL TAKRITI RECALLED THAT HE HAD ASKED FOR OUR HELP OVER THE PROPOSAL THAT THE IPC SHOULD NOW PAY PART OF THE MONEY OWING TO THE IRAQI GOVERNMENT UNDER THE HEADING OF ROYALTY EXPENSING, AND RATHER COMPLAINED THAT ALTHOUGH NEARLY TWO MONTHS (SIC) HAD PASSED HE HAD RECEIVED NO REPLY. I MADE THE POINT THAT THE ISSUES INVOLVED WERE CONSIDERABLE AND COULD NOT BE SOLVED OVERNIGHT, ADDING THAT IF PROGRESS COULD BE MADE ON OTHER ISSUES, THE COMPANY MIGHT BE MORE READY TO MEET THE IRAQI GOVERNMENT OVER ROYALTY EXPENSING. GENERAL TAKRITI SAID THAT THE IRAQI GOVERNMENT TOO WERE ANXIOUS FOR A SETTLEMENT AND HE KNEW WHAT THEY HAD IN THEIR MINDS.

/3.

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8/10/68
MC 359/1

Cost passed to PC.
Now see out tel to B'dad

p.a.
JWQ/H

CONFIDENTIAL

Q

-2-

3. PRESIDENT BAKR ALSO RAISED THE QUESTION OF ROYALTY EXPENSING AND CLEARLY FOUND IT DIFFICULT TO UNDERSTAND WHY PAYMENTS WHICH THE COMPANY ADMITTED WERE DUE WERE HELD UP. MR ARTHUR EXPLAINED THAT NEGOTIATIONS FOR A ROYALTY EXPENSING AGREEMENT IN KUWAIT HAD TAKEN TWO YEARS AND I REMINDED THE PRESIDENT THAT THE COMPANY HAD CLAIMS AGAINST THE IRAQI GOVERNMENT, IN PARTICULAR A CLAIM OF COMPENSATION IN RESPECT OF CONCESSION AREAS OF WHICH THEY HAD BEEN DEPRIVED BY RECENT LEGISLATION. PRESIDENT BAKR ALSO SAID THAT THE COMPANY HAD GIVEN THE PREVIOUS GOVERNMENT OF TAHIR YENYA AN ADVANCE OF ID 10M. I MADE IT CLEAR TO HIM THAT THIS WAS A SEPARATE MATTER.

4. I WILL INFORM THE LOCAL IPC REPRESENTATIVE OF THE FOREGOING.

F.O. PASS SAVING TO BEIRUT, THE HAGUE, TEHRAN, PARIS AND WASHINGTON.

MR. EVANS

[REPEATED AS REQUESTED]

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N.E.A.D.

I.R.D.

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(8)

OP COM

CYPHER/CAT -A- & BY BAG
ROUTINE FOREIGN OFFICE
TELEGRAM NUMBER 328

TO BACHDAD

8 OCTOBER 1968

(C. & O.D.)

CONFIDENTIAL.

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 328 OF 8 OCTOBER REPEATED
FOR INFORMATION SAVING TO BEIRUT THE HAGUE PARIS TEHRAN WASHINGTON.

YOUR TELEGRAM NUMBER 303. — (7)

WE HAVE TOLD THE IRAQ PETROLEUM COMPANY, FOR THE CONFIDENTIAL
INFORMATION OF THE GROUPS, OF YOUR EXCHANGES WITH THE IRAQI PRESIDENT
AND DEPUTY PRIME MINISTER. (ON POINTS OF DETAIL, THE COMPANY HAS
NOT ADMITTED, PENDING FURTHER NEGOTIATION, THAT ROYALTY EXPENSING
PAYMENTS ARE DUE AND HAS NOT FORMALLY MADE A CLAIM FOR COMPEN-
SATION FOR THE EX-PROPRIATED TERRITORY).

2. THE GROUPS HAD ALREADY DECIDED TO SEND AN EXPLORATORY MISSION,
CONSISTING OF SUTCLIFFE (BP) AND MCDONALD (MOBIL), TO BAGHDAD
ON 12 OCTOBER. THE MISSION WILL COME OUT APPARENTLY WITHOUT FORMAL
ADVANCE NOTICE TO THE IRAQIS, BUT WOULD HOPE TO MAKE INFORMAL CONTACT
WITH THE MINISTER OF OIL FOLLOWING THE FEELERS THE LATTER HAS
PUT OUT IN RECENT WEEKS THROUGH I P C'S BAGHDAD MANAGEMENT AND
YOURSELF. MISSION WILL HAVE NO FORMAL TERMS OF REFERENCE AND WILL
PLAY THINGS BY EAR, BASING THEMSELVES ON THE GENERAL APPROACH
I P C HAVE BEEN MAKING TO THE PROBLEM IN THE LAST FEW MONTHS,
E.G. FOREIGN OFFICE TELEGRAMS TO BAGHDAD NUMBER 47 SAVING AND
NUMBER 287. (THE SUGGESTION THAT I P C MIGHT ACT AS CONTRACTOR IN
NORTH RUMAILA, DESCRIBED IN THE LATTER TELEGRAM, HAS NOT BEEN
TAKEN FURTHER BY THE IRAQIS).

SOSFA

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P. a.

11

R.M.

10



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[Codeword—if any] —

Addressed to BAGHDAD

telegram No. 320. (date) 8 October

And to —

Saving
repeated for information to BEIRUT THE HAGUE

PARIS TEHRAN WASHINGTON

Saving to —

Your telegram No. 303 [of 7 October] :

[Iraq Oil.]

We have told the Iraq Petroleum Company, for the confidential information of the Groups, of your exchanges with the Iraqi President and Deputy ~~and~~ Prime Minister. (On points of detail, the company has not admitted, pending further negotiation, that royalty expensing payments are due and has not formally made a claim for compensation for the expropriated territory.)

2. The Groups had already decided to send an exploratory mission, consisting of Sutcliffe (BP) and McDonald (Mobil), to Baghdad on 12 October.

The mission will come out apparently [even] without formal advance notice to the Iraqis, but would hope to make informal contact with the Minister of Oil following the feelers the latter has put out in recent weeks

/through

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Treasury

10/10/68
160 916

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through IPC's Baghdad management and yourself. Mission will have no formal terms of reference and will play things by ear, basing themselves on the general approach IPC have been making to the problem in the last few months, e.g. Foreign Office telegram to Baghdad No. 47 Saving and No. 287. (The suggestion that IPC might act as contractor in North Rumaila, described in the latter telegram, has not been ~~pursued~~ ^{taken further} by the Iraqis.)

Dept U.

W
8/6.

NOTHING TO BE WRITTEN IN THIS MARGIN

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with (9)

ANNEX

Iraq Petroleum Company (IPC)

Chronology

1961. Iraqi Law 80. Purported to deprive the IPC of 99.56% of the territory to which it held rights, i.e. of all areas not actually being worked by the company. The IPC was in this way deprived of, inter alia, the North Rumaila field which, although proven and with a few wells drilled, was not yet being exploited.

1964. Law 11 established the Iraq National Oil Company (INOC).

1965. Negotiations between the IPC and Iraq Government produced full-blown and initial ~~dis~~agreements (known as the "Wattari Agreements"), but the Iraqis failed to ratify them. These would inter alia have returned the North Rumaila field to IPC for exploitation under its existing concessionary arrangements. They also provided for the establishment of a joint company, to be known as the Baghdad Oil Company, by INOC and IPC shareholders (other than Esso) to explore for oil in certain areas outside the territory retained by the IPC.

Early 1967. ENI (Italian parastatal) approached Iraq Government with an offer to exploit North Rumaila. HMG with Americans, French and Dutch protested strongly to Italian Government.

August 1967. Law 97 passed. This allocated to INOC the territory expropriated from the IPC, including North Rumaila, and specified that INOC should not exploit the area allocated to it by way of conventional concessions. HMG, as the parent Government of the IPC and at the IPC's request, protested formally through diplomatic channels. Protest rejected (but not thereby nullified).

Late 1967. French Government sought to turn their favoured position in the Arab world to their advantage. Interventions by both Compagnie Francaise des Petroles (CFP) - although an IPC shareholder - and Enterprise de Recherches and d'Activites Petrolières (ERAP), the French parastatal oil company. CFP's attempt unsuccessful, but ERAP made a deal with INOC for the exploration of 11,000 square kilometres of Iraq territory other than North Rumaila (part of it offshore). (This was ratified in 1968 and despite some criticisms has been upheld in spite of recent changes of government in Iraq.)

/December 1967.

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December 1967. IPC sought unsuccessfully to negotiate a settlement within the framework of Law 97 of 1967. Also in December 1967, a Soviet delegation and the Iraq Government exchanged Letters of Intent providing for Soviet assistance in oil exploration and development. These have not so far been taken any further.

June 1968. IPC negotiating team visited Baghdad. Agreement reached on extra payments to the Iraq Government for exports of North Iraq crude from the Mediterranean terminals to allow for the improved market value of such oil following the closure of the Suez Canal.

Iraq Oil

Background

Flag A

Attached at annex is a brief chronology of some of the main developments in IPC affairs over the past eight years. The complicated manoeuvring over the winter of 1967/68 is described in greater detail in Guidance No. 16 of 17 January 1968. Foreign Office telegram No. 47 Saving of 27 June 1968 summarises the situation after the additional payments made that month.

Flag B
Flag C

2. The basic divergence between the two sides springs from Law 80 of 1961. The IPC line is that negotiations should work towards a package settlement, with the question of the acreage expropriated by the Iraqis, particularly North Rumaila, being part of that settlement. (The IPC's latest broad philosophy on this is described in paragraphs 6 and 7 at Flag C.) The Iraqis, however, have been adamant, especially since June 1968, in their insistence that the acreage issue is not a matter for negotiation. (HMG's view of Law 80 and other related Iraqi legislation were conveyed in the protest Note of August 1967. Text in FO telegram No. 815 to Stockholm.)

Flag D

Iraqi claims and IPC counter-claims

3. Claims by the Iraqis against the IPC arise largely because of this deadlock, and fall under three main headings:-

Flag E

(a) Royalty Expensing. The effect of this system is explained on pages 26 and 27 of "The British Interest in Oil". It has never been applied in the case of Iraq and the amount due, on the basis of backpayments to the introduction of the system elsewhere in the Middle East in 1964, is probably now about £50 million.

(b) Other Accounting issues. In the abortive settlement of 1965, agreement was reached on a whole range of long-standing accounting disputes in respect of which IPC undertook to make a lump-sum backpayment of more than £20 million. (Largely as a "sweetener" in the context of an overall settlement.) However, since the agreement was never ratified, the sum was never paid and the issues concerned have remained in suspense.

(In a separate category) (c) Production. Since the IPC's operations are the main source of the

/Iraq

CONFIDENTIAL

Iraq Government's income, the company is likely to be pressed to maximise production. There is not, however, much scope for further large increases from the fields from which IPC is currently producing, especially from the company's northern fields, without further considerable investment.

4. Although the IPC would be unlikely to dispute the validity of an Iraqi claim for royalty expensing (4(a) above) they cannot afford to agree to paying it pending a settlement of the overall dispute, especially that affecting North Rumaila.

Prospects

5. Mr. Dalley's visit to Baghdad last August was primarily in connexion with the change of the IPC representative there. He received the firm impression from the Minister of Oil that the Iraqis would not be ready for negotiations for at least two months.

Oil Department.

24 September, 1968

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Reference.....

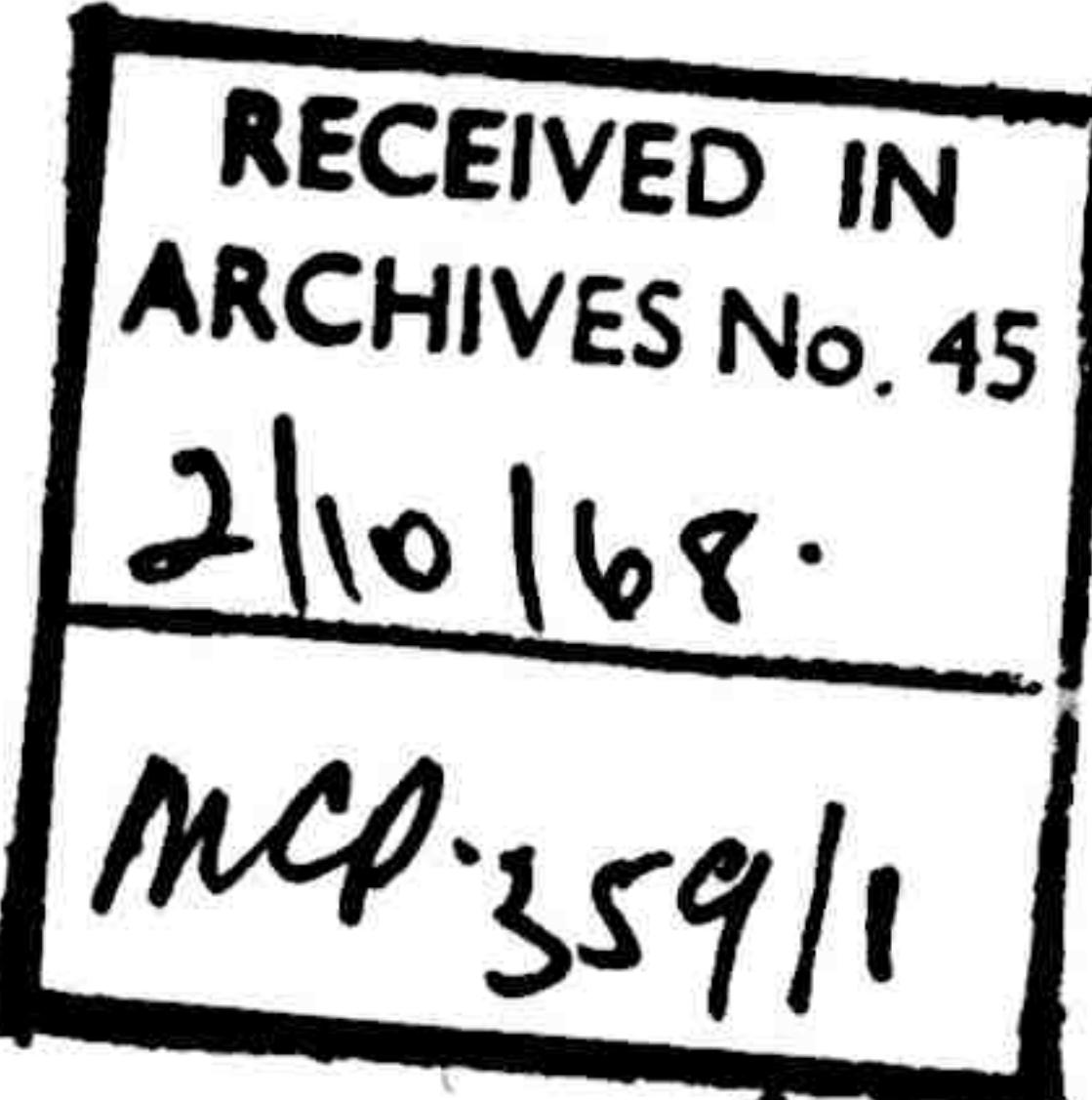
90

Mr. Ellingworth

now detached
M.R. 24/9

Thank you for the attached papers.

2. The position, as I see it, is that the IPC are prepared to make certain back payments to the Iraqi Government subject to negotiations. They are not, however, prepared to pay part of the money now as a goodwill gesture and to leave the balance to be settled in the course of talks between the Company and the Iraqi Government. If this is broadly correct, it would be helpful for me to know how the claim against the IPC arises; what are the component parts; what sum the Company are prepared to concede that they will eventually have to pay to the Iraqi Government; and whether negotiations are likely to take place in the near future.



F.G.K. Gallagher
(F.G.K. Gallagher)
17 September, 1968.

M² Gallagher

Your understanding is correct. It is true that the IPC made a payment, partly as a goodwill gesture, in June this year, but they tell us they have no intention of making any further payments at present.

2. I attach a memorandum about Iraqi oil which covers I hope the scope

scope of your enquiry, with apologies
that it has taken a little time to
produce this.

Wellington

24/9/68.

M. E. Cawsworth

Thank you. This very useful account of the
background and present position will no doubt be helpful
to your new arrivals as it has been to me.

28/9

1. Refs detached.

3. b/v 30/10/68.

2. reg + p.a.

Pa.

30/9

Min. 1.

(11)

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12

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CYPER CAT A
ROUTINE BAGHDAD
TELEGRAM NO 334

TO FOREIGN OFFICE.
16 OCTOBER 1968.

CONFIDENTIAL.

ADDRESSED TO FO TELEGRAM NO 334 OF 16 OCTOBER REPEATED FOR INFORMATION SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON. (8) YOUR TELEGRAM NO 329: IRAQI OIL.

HAHN AND ROAD CALLED THIS MORNING. THEY TOLD ME THAT THE GROUP REPRESENTATIVES WOULD BE ARRIVING THIS EVENING AND THAT THEY HAD SO INFORMED MINISTER OF OIL YESTERDAY. THEY HAD TAKEN THE LINE THAT THE GROUP REPRESENTATIVES HAD BEEN EXPECTING AN INVITATION BUT HAD FINALLY DECIDED TO WAIT NO LONGER AS ONLY GOOD COULD COME OF AN EXCHANGE OF VIEWS. (ROAD HAD LEARNED EARLIER THAT MINISTER HAD BEEN DEBATING WHETHER TO ISSUE AN INVITATION OR NOT). THEY HAD EMPHASISED THAT THE TALKS WOULD BE EXPLORATORY AND WITHOUT COMMITMENT AND THAT THEY SHOULD NOT GIVE RISE TO FALSE HOPES.

2. THE MINISTER, WHO WAS RELAXED AND FRIENDLY, SAID HE WELCOMED THE VISIT. TO THEIR SURPRISE HE MADE NO MENTION OF MONEY MATTERS.
3. HAHN TOLD ME THAT HE WAS ENCOURAGED BY REPORTS HE HAD RECEIVED FROM WELL-PLACED LEBANESE FRIENDS WHO TOOK THE VIEW THAT THE PRESENT REGIME WAS HERE TO STAY AND THAT IPC SHOULD DO BUSINESS WITH THEM. HE THOUGHT THAT THE RECENT ARRESTS POSSIBLY INDICATED STRENGTH RATHER THAN WEAKNESS. HE MAY WELL BE RIGHT - PLEASE SEE PARAGRAPH 4 OF MY TELEGRAM NO 252. ON THE OTHER HAND, I SUGGESTED THAT THE VIEWS OF THE LEBANESE WERE AT PRESENT POSSIBLY COLOURED BY THEIR AND THE IRAQI DISLIKE OF SYRIA.

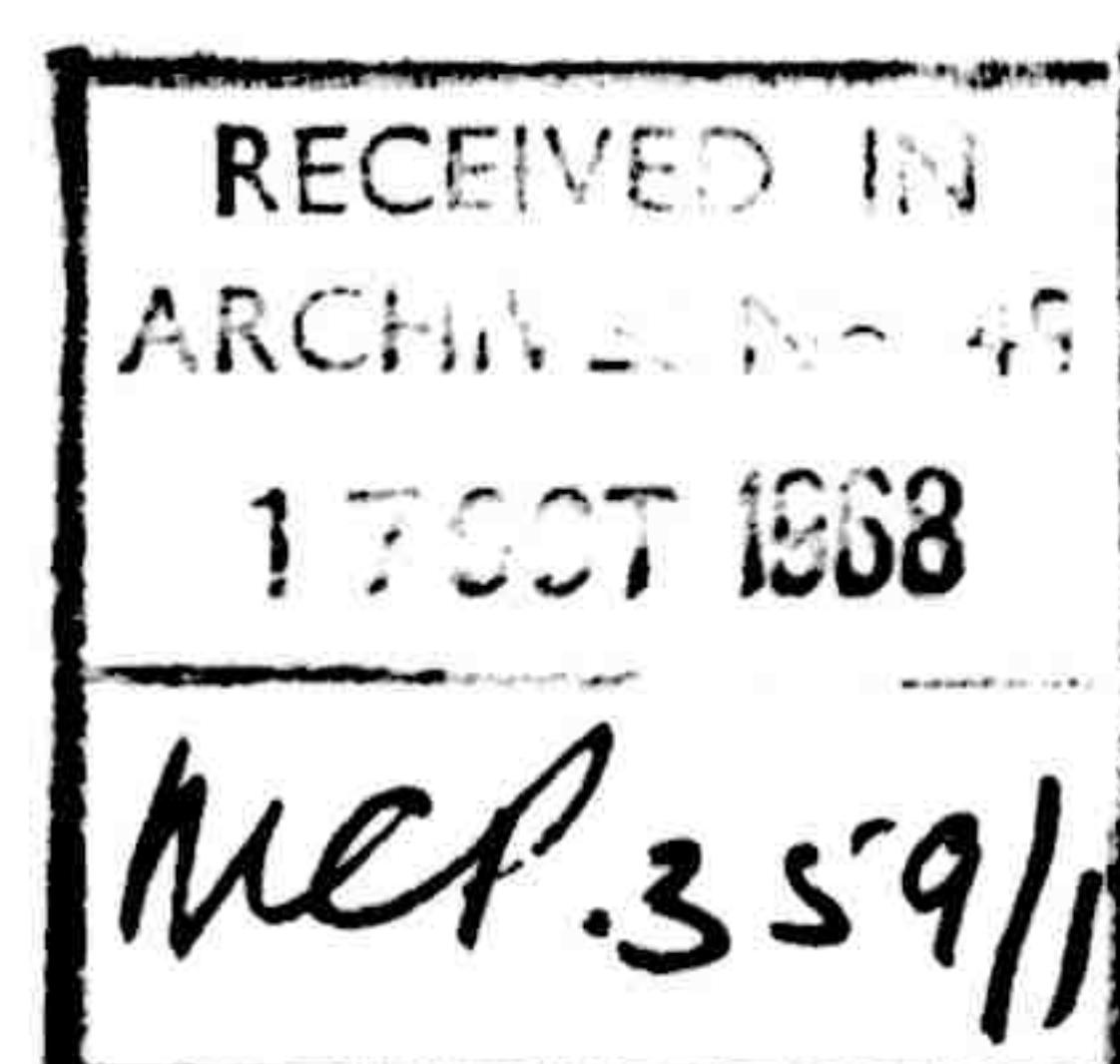
4. BOTH HAHN AND ROAD CONTINUE TO BE FAVOURABLY IMPRESSED BY THE MINISTER'S PERSONALITY. HAHN SAID THAT HE THOUGHT IT ENCOURAGING THAT IN A PREVIOUS INTERVIEW HE HAD HAD THE COURAGE TO GRASP THE NORTH RUMAILA KITTLE. THIS WAS "EARLIER THEY GOT TO SPEAKING OF THE CONTRACT ARRANGEMENT REFERRED TO IN PARA 3 OF YOUR TELEGRAM NO 287. (163)

FO PASS SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON. (143) 17.

MR EVANS.

[REPEATED AS REQUESTED]

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ROUTINE BAGHDAD
TELEGRAM NUMBER 336

TO FOREIGN AND COMMONWEALTH OFFICE
17 OCTOBER 1968

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ADDRESSED TO F C O TELNO. 336 OF 17 OCTOBER, R F I
SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

MY TELNO. 334 : IRAQI OIL. ————— 12

SUTCLIFFE AND MCDONALD CALLED THIS MORNING AND I BRIEFED
THEM ON THE LOCAL POLITICAL SITUATION.

2. WE DISCUSSED TACTICS. SUTCLIFFE AND MCDONALD SEEMED TO
THINK THAT THERE WOULD BE ADVANTAGE IN THEIR EXPLAINING THE
COMPANY'S POSITION TO TOP POLITICAL FIGURES, PARTICULARLY
PRESIDENT BAKR AND GENERAL TAKRITI, PERSONALLY RATHER THAN
INDIRECTLY THROUGH THE MINISTER OF OIL. THEY RECALLED THAT
AL-WATTARI, MINISTER OF OIL IN 1965, WAS AN EMINENTLY
REASONABLE MAN AND IT HAD BEEN POSSIBLE TO REACH AGREEMENT WITH
HIM, BUT HE HAD NOT BEEN ABLE TO CARRY THE PRESIDENT AND OTHER
POLITICAL LEADERS WITH HIM. THEY DO NOT WANT THIS TO HAPPEN
AGAIN. I TOLD THEM THAT I THOUGHT IT WAS POSSIBLY A GOOD MOVE
TO ASK TO SEE PRESIDENT BAKR AND THAT GENERAL TAKRITI WOULD
PROBABLY BE PRESENT. THEY REALISED
THAT THEY HAD TO BE CAREFUL NOT TO ANTAGONISE THE MINISTER OF OIL
AND I SUGGESTED THAT THEY MIGHT ASK HIM TO FIX THE INTERVIEW.

3. AS REGARDS SUBSTANCE, MCDONALD SAID HE WAS DOUBTFUL
WHETHER THE CONTRACT ARRANGEMENT PROPOSED BY THE MINISTER OF OIL
WAS A STEP FORWARD IN THE MATTER OF NORTH RUMAILA. AS EXPECTED

/MCDONALD

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MCDONALD TOOK A TOUGH AND LEGALISTIC VIEW, HARPING BACK TO SOMETHING ON THE LINES OF THE WATTARI AGREEMENT. THE COMPANY HE SAID, HAD INVESTED HEAVILY IN NORTH RUMAILA AND SHOULD SOMEHOW WITHIN THE LAW REGAIN POSSESSION OF THE OIL: IF THIS PROVED POSSIBLE THE COMPANY WOULD DO EVERYTHING TO HELP IRAQ EXPLOIT OTHER CONCESSIONARY AREAS WHICH THEY WOULD BE PREPARED TO GIVE UP. I TOLD THEM THAT HOWEVER STRONG THEIR CASE LEGALLY THE POLITICAL REALITIES HAD TO BE BORNE IN MIND AND THAT ANY GOING BACK ON LAW 80 ETC. WAS POLITICALLY DIFFICULT THE CONTRACT ARRANGEMENT PROPOSED BY THE MINISTER OF OIL MIGHT NOT IN ITSELF BE A GREAT STEP FORWARD BUT IT DID POSSIBLY REPRESENT AN OPENING WHICH SHOULD BE EXPLORED.

4. THEY PROBABLY HOPE THAT GENERAL TAKRITI IS TOUGH AND STRONG ENOUGH TO GIVE THE MINISTER OF OIL A GLIMMER OF A GREEN LIGHT AND THAT AS A RESULT , THE MINISTER OF OIL CAN THEN GO AHEAD. THE COMPANY WERE CONFIDENT, THEY SAID, THAT IF THEY WERE GIVEN THE CHANCE, THEY COULD WORK OUT THE DETAILS OF A SETTLEMENT WHICH WOULD SATISFY BOTH PARTIES.

5. THEY ARE SEEING THE MINISTER OF OIL TOMORROW.

FCO PLEASE PASS SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON

MR. EVANS

[REPEATED AS REQUESTED]

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10/23/68

(14)

(MCP 359/1)

FOREIGN AND
COMMONWEALTH OFFICE,

S. W. 1.

(3)

Thank you for your letter 12/2 of 28 September to
Dick Ellingworth about IPC communications.

163—
0D193/2

2. The remark by the IPC man in his cups was interesting, but I do not think we should read too much into it and certainly not in connexion with the situation described in FO telegram No. 287 to Baghdad. On that occasion everybody concerned, Groups as well as IPC management, were playing their cards close to their chests. I still think they should have come clean more readily, but their ~~caution~~ in the circumstances was to a degree understandable.

3. The IPC management in recent years have been less forthcoming than they were when I last dealt with oil affairs in the Office, largely because of changes of personalities. (On this score you may now find Hahn more buttoned up than Jaeckli.) We have to do a good deal of ferreting on occasion, but - to be fair - the management's weakness in communication here is often due more to forgetfulness than to unwillingness.

4. When the Embassy closed at the break in relations IPC were in fact very put out by the disappearance of our confidential channel. The management discussed at some length with me possible alternatives, but in the end decided against on the grounds of inefficiency and lack of the security they had enjoyed with us. (I have no doubt they meant this last point.)

5. When you first reopened the Embassy I warned IPC that you would not be in a position, for housekeeping reasons, to carry any substantial traffic for them in the early stages, but that we would readily consider helping them again later if they wished. I have heard nothing from them since on this.

6. During the diplomatic break IPC refined other means of confidential communication (extra 'couriers', personal and teleprinter consultations in Beirut, visits to London). These seem to serve their purposes well, but I do not exclude the possibility of their asking to use our channels again if things hot up.

ent 28
10.

M. Ellingworth

p.a. [unclear] info.

P. McKearney Esq.,
HM Embassy,
BAGHDAD.

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21 OCT 1968
MCP 359/1

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7. Having said all that, obviously both we and you must treat the information we get from IFC with the proper confidence. You will see that we quite often put conditions on the use of such information (as we do with oil company affairs in other countries). This is as much for all the other recipients of our telegraphic and other correspondence as anything. For the same reason please do not hesitate at your end to act similarly. Otherwise there is a danger of a leak by inadvertence.

(J.T. Fearnley)

~~CONFIDENTIAL~~

NOTHING TO BE WRITTEN IN THIS MARGIN

Mr. Mr. Kearney
Baghdad

I'm

JTF.

Eastern Dept. a.a.

Still think they should have come clean more readily, but their caution in the circumstances was to a degree understandable.

(On this score you may find Hahn more buttoned up than Jaechli.)

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2. The remark by the IPC man in his appr was interesting, but I do not think we should read too much into it ~~and certainly not~~ in connection with the situation described in FO telegram no. 287 to Baghdad.

On that occasion everybody concerned, Groups as well as IPC management, were playing their cards close to their chests.!

3. The IPC management in recent years have been less forthcoming than they were when I last dealt with oil affairs in the Office, ~~the~~ largely because of changes of ~~staff and~~ personalities. We have to do a good deal of ferreting on occasion, but - to be fair - ~~then~~ the management's weakness in communication here is often due more to forgetfulness than to ~~more~~ unwillingness.

*- When the Embassy closed at the break in relations the IPC were in fact very put out by the disappearance of an confidential channel. They

The management discussed at some length with us the ~~various~~ possible alternatives, but in the end decided, ^{against} on the grounds of inefficiency and lack of the security they had enjoyed with us. (I have no doubt they meant this last point.)

5. ^{First} When you ^{reopened} the Embassy I warned IPC that you would not be in a position, for housekeeping reasons, to carry any substantial traffic for them in the early stages, but that we would readily consider helping them again later if they wished. I have had nothing since ~~to~~ ~~with~~ on this.

~~The fact is that~~ ⁶ during the diplomatic break IPC ~~developed~~, and refined, other means of confidential communication (extra ~~personal~~ 'couriers', ~~personal~~ and telephone consultation in Beirut, visits to London). These seem to serve their purposes well, but I do not exclude the possibility of their asking to use our channels again if things heat up.

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1st 17/10.

in turn

(as we do with
all business in
other countries).

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ROUTINE BAGHDAD
TELEGRAM NO. 342

TO FOREIGN AND COMMONWEALTH OFFICE
20 OCTOBER 1968.

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22 OCT 1968	

ADDRESSED TO FCO TELNO. 342 OF 20 OCTOBER R.F. | MCP 359/1
SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

MY TELNO. 336 : IRAQI OIL.

13

GENERAL TAKRITI TELEPHONED ME YESTERDAY MORNING AND ASKED ME TO SEE HIM AT 06 P M THE SAME DAY. IT IS OF COURSE UNUSUAL FOR HIM TO TELEPHONE HIMSELF, ESPECIALLY ON THE FRIDAY HOLIDAY.

2. AS EXPECTED, HE WANTED TO TALK ABOUT OIL. HE SAID THAT THE MINISTER OF OIL, DR. RIFAI, HAD SEEN THE GROUPS' REPRESENTATIVES, MESSRS SUTCLIFFE AND MCDONALD, BUT THAT LITTLE PROGRESS HAD BEEN MADE. DR. RIFAI HAD REPORTED TO THE PRESIDENT AND THE PRESIDENT HAD ASKED HIM, TAKRITI, TO SPEAK TO ME.

3. TAKRITI SAID THAT THE IRAQI SIDE AGREED TO MY SUGGESTION (SIC) THAT A CONCESSION BY ONE SIDE SHOULD BE MATCHED BY THE OTHER. THE IRAQIS BELIEVED, HOWEVER, THAT THE COMPANY OWED THEM MONEY AND THAT PAYMENT OF AT LEAST PART OF THIS SHOULD BE THE FIRST STEP. THIS WOULD ENABLE THE GOVERNMENT TO MAKE A PARALLEL MOVE AND TO FACILITATE THE SOLUTION OF THE WHOLE PROBLEM. HE REPEATED THIS SEVERAL TIMES. HE ADDED THAT THE FIVE-MAN REVOLUTIONARY COUNCIL, WHICH WAS DEALING WITH OIL POLICY, BELIEVED THAT HE COULD FIND THE SOLUTION WITH HIS REVOLUTIONARY FRIENDS. (THE MINISTER OF FINANCE, ON WHOM THE COMMERCIAL COUNSELLOR AND I CALLED THIS MORNING, VOLUNTEERED THAT THE OIL QUESTIONS HAD NOT BEEN DISCUSSED IN THE CABINET.)

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4. I WAS UNABLE TO SMOKE OUT WHAT (UNDERLINE THE NEXT THREE WORDS) QUID PRO QUO, IF ANY, THE IRAQIS HAD IN MIND. I URGED HIM TO GET DR. RIFAI TO GIVE THE GROUPS' REPRESENTATIVES AT LEA ST SOME IDEA OF WHAT HE PROPOSED. I REMINDED TAKRITI THAT MESSRS SUTCLIFFE AND MCDONALD REPRESENTED HARD-HEADED BUSINESSMEN AND THAT THE AGREEMENT WHICH HAD BEEN SO LABORIOUSLY NEGOTIATED WITH WATTARI IN 1965 HAD NOT BEEN SIGNED. THE COMPANY HAD INVESTED HEAVILY IN THE NORTH RUMAILA FIELD BUT IT HAD BEEN TAKEN FROM THEM BEFORE IT COULD BE PUT INTO PRODUCTION. IRAQ'S DEVELOPMENT POSSIBILITIES WERE VERY GREAT BUT OWING TO LACK OF CONFIDENCE INTERNATIONAL CAPITAL WAS UNABLE TO PLAY ITS PART. OIL PRODUCTION IN IRAQ HAD, AS A RESULT, REMAINED STATIONARY AT A PERIOD WHEN IT HAD MORE THAN DOUBLED IN NEIGHBOURING COUNTRIES. AND SO ON.

5. TAKRITI LISTENED ATTENTIVELY AND DID NOT DEMUR. BUT HE APPEARED OBSESSED BY THE IDEA THAT THE COMPANY OWED THE GOVERNMENT MONEY AND THAT THAT SHOULD BE SETTLED FIRST.

6. HE SAID THAT THE MINISTER OF OIL WOULD BE SEEING THE GROUPS' REPRESENTATIVES AGAIN.

7. I HAVE INFORMED SUTCLIFFE AND ROAD.

F C O PLEASE PASS SWING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

MR. EVANS

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PRIORITY BAGHDAD
TELEGRAM NUMBER 347

TO FOREIGN AND COMMONWEALTH OFFICE
22 OCTOBER 1968

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ADDSO TO FCO TEL NO 347 OF 22 OCT REPTD FOR INFMN SVG TO
BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MY TELEGRAM NO 342: IRAQI OIL. — (15)

SUTCLIFFE AND ROAD CALLED ON ME ON 19 OCTOBER. COMMERCIAL
COUNSELLOR WAS PRESENT.

2. SUTCLIFFE AND MACDONALD'S MEETING WITH THE MINISTER OF OIL ON 17 OCTOBER LASTED FOR THREE HOURS. THE MEETING WAS FRIENDLY BUT RIFAI GAVE NO SIGN OF WILLINGNESS TO NEGOTIATE. THE MEETING ENDED WITHOUT RIFAI OFFERING TO SEE THEM AGAIN AND WITHOUT SUTCLIFFE AND MACDONALD MAKING ANY REQUEST FOR A FURTHER MEETING OR FOR AN AUDIENCE WITH THE PRESIDENT.

3. IN DISCUSSING OUTSTANDING ISSUES SUTCLIFFE AND MACDONALD MADE IT CLEAR THAT FROM THE COMPANY'S POINT OF VIEW THERE WAS ONE MAJOR POINT OF PRINCIPLE, VIZ. THE QUESTION OF EXPROPRIATION AND LAW NO 80. THEY SUGGESTED THAT IF HE WERE IN THEIR SHOES RIFAI COULD NOT ACCEPT EXPROPRIATION WITHOUT COMPENSATION BECAUSE OF REPERCUSSIONS IN OTHER OIL PRODUCING COUNTRIES. RIFAI DID NOT DENY THIS, BUT COUNTERED BY SAYING THAT THE COMPANY HAD FOR ITS PART FALLEN DOWN ON THEIR OBLIGATIONS UNDER THE CONCESSION AGREEMENT. HE RAISED THE HARDY ANNUAL OF THE 20 PER CENT IRAQI SHARE IN THE EQUITY PROVIDED FOR AT

/ SAN REMO

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SAN REMO. SUTCLIFFE POINTED OUT THAT THE IRAQI GOVERNMENT HAD DONE BETTER THAN IF THEY HAD HELD THIS SHARE OF THE EQUITY AND THAT SUBSEQUENT CONCESSION ARRANGEMENTS HAD BEEN WITH THE ASSENT OF THE IRAQI GOVERNMENT. RIFAI REPLIED SAYING THAT IT WAS NOT MERELY A QUESTION OF THE MONEY BUT ALSO OF IRAQI NATIONAL PRIDE. THEY WANTED A MORE DIRECT SHARE IN THE EXPLOITATION OF THEIR OWN OIL. (THIS POINT HAD POSSIBLY BEEN MADE TO ENABLE RIFAI TO CLAIM AT THE FORTHCOMING OPEC MEETING IN BAGHDAD IN NOVEMBER THAT HE HAD RAISED THE QUESTION OF NATIONAL PARTICIPATION WITH THE IPC).

4. RIFAI SAID THAT THE IRAQI GOVERNMENT HAD +INTER ALIA+ THE FOLLOWING OUTSTANDING DIFFERENCES WITH THE COMPANY.

(A) THE FAILURE TO PAY ROYALTY EXPENSING SUMS ADMITTED BY THE COMPANY TO BE DUE. SUTCLIFFE POINTED OUT THAT ROYALTY EXPENSING AGREEMENTS INVOLVED CONFIRMATION OF CONCESSIONARY RIGHTS. IN OTHER WORDS THE COMPANY WERE PREPARED TO DO FOR IRAQ WHAT THEY HAD DONE FOR OTHER COUNTRIES WHICH CONFIRMED THEIR CONCESSION AGREEMENTS.

(B) THE FAILURE TO PAY THE ADDITIONAL SUMS AMOUNTING TO SOME POUNDS STERLING 25 MILLION DUE TO THE IRAQIS UNDER THE REVISED ACCOUNTING PROCEDURES.

(C) THE FAILURE OF THE COMPANY TO DO ANYTHING FOR THE PEOPLE (C.F. MYTEL NO 283). IF THE COMPANY HAD BUILT ONLY ONE SCHOOL A YEAR THEIR REPUTATION IN IRAQ WOULD BE VERY DIFFERENT FROM WHAT IT WAS NOW. SUTCLIFFE POINTED OUT THAT WHATEVER THE COMPANY DID WAS WRONG. IF THEY HAD BUILT SCHOOLS, HOSPITALS, ETC. THEY WOULD HAVE BEEN ACCUSED OF INTERFERING IN INTERNAL AFFAIRS. IF THEY DID NOT THEY WERE ACCUSED OF INDIFFERENCE. RIFAI SAID THEY COULD AT LEAST HAVE TRIED.

(D) SOME QUOTE NEW POINTS UNQUOTE (NOT SPECIFIED).

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BAGHDAD TELEGRAM NO. 347 TO FOREIGN AND COMMONWEALTH OFFICE

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5. RIFAI AGREED THAT THE WATTARI AGREEMENT HAD BEEN A POSSIBLE SETTLEMENT, BUT SAID THAT THERE HAD BEEN POLITICAL DIFFICULTIES AT THE TIME.

6. WHEN THE QUESTION OF NORTH RUMAILA WAS RAISED, RIFAI SAID THAT IT WAS A MATTER FOR I N O C WHO WOULD DEAL WITH THE ISSUE ON A PURELY ECONOMIC BASIS. IF THE COMPANY PUT IN A BETTER BID THAN ITS OTHER COMPETITORS, THEY WOULD OF COURSE GET THE CONTRACT. (ADEEB JADER HAD EARLIER TOLD SUTCLIFFE THAT HE WOULD LIKE IPC TO GET IT: IT WOULD SOLVE MANY DIFFICULTIES. HOWEVER JADER HAD HAD BETTER OFFERS. SUTCLIFFE HAD POINTED OUT THAT THE IPC COULD NOT PAY MORE FOR NORTH RUMAILA OIL THAN THEY PAID FOR OIL ELSEWHERE). SUTCLIFFE AND MCDONALD REMINDED RIFAI THAT HE WAS ALSO CHAIRMAN OF I N O C BUT RIFAI REFUSED TO BE DRAWN. WHEN SUTCLIFFE THEN SUGGESTED THAT PARALLEL NEGOTIATIONS MIGHT TAKE PLACE BETWEEN THE COMPANY AND THE GOVERNMENT ON THE ONE HAND AND THE COMPANY AND I N O C ON THE OTHER, RIFAI SAID HE COULD NOT AGREE: 'IT WOULD SAVOUR OF A PACKAGE'. RIFAI MERELY SUGGESTED THAT THEY SHOULD CALL ON THE DEPUTY CHAIRMAN OF I N O C.

7. SUTCLIFFE AND MCDONALD HAD NATURALLY FOUND THIS DISCOURAGING. NOR WAS MORE PROGRESS MADE WHEN THEY CALLED ON HUSSEIN GHULAMI, THE UNDER SECRETARY AT THE MINISTRY OF OIL ON 19 OCTOBER. BUT FOR TAKRITI'S APPROACH (MYTEL NO 342) THEY WOULD HAVE LEFT ON 20 OCTOBER.

8. WHEN WE DISCUSSED THE PROBLEM OF SOME ADVANCE PAYMENT SUTCLIFFE SAID THAT HE DID NOT THINK THE GROUPS WOULD AGREE TO IT AT PRESENT. IF THERE WERE SOME SIGN OF A GENUINE WILLINGNESS TO MOVE TOWARDS A SETTLEMENT, SHELL AND C F P WOULD PROBABLY AGREE BUT THE AMERICANS WOULD OPPOSE IT. UNDER DRAKE AS ACTING CHAIRMAN B P MIGHT WELL ALSO OPPOSE IT. IT MIGHT HOWEVER, BE POSSIBLE TO FIND UNDER VARIOUS HEADINGS OTHER THAN

/ ROYALTY

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ROYALTY EXPENSING SOME POUNDS STERLING 5 MILLION - HE LATER
MENTIONED A FIGURE OF POUNDS STERLING 10 MILLION - AS AN
INDUCEMENT.

More prob. 9. SUTCLIFFE EXPLAINED THAT ONE AMERICAN COMPANY - PRESUMABLY
~~Esso, but~~ SOCONY - WAS EVEN PREPARED TO PULL OUT OF IPC. BY NEXT YEAR
~~probably~~ BP MIGHT ALSO BE IN A POSITION FROM THE SUPPLY POINT OF VIEW TO
~~also~~ ~~overstated~~ DO LIKEWISE, BUT IN THE MEANTIME THEY NEEDED IRAQI OIL IN THE
~~for~~ MEDITERRANEAN. IN ANY CASE BP WOULD PROBABLY NOT CONTEMPLATE
PULLING OUT ON ACCOUNT OF THE REPERCUSSIONS.

10. TAKRITI'S APPROACH HAD HOWEVER ALTERED THE SITUATION.
AFTER DISCUSSION IT WAS AGREED THAT THEY SHOULD DISCUSS WITH
MCDONALD THE POSSIBILITY OF SEEING THE PRESIDENT AND TAKRITI.
MCDONALD SUBSEQUENTLY AGREED AND THEY ASKED ME TO MAKE AN
APPOINTMENT FOR THEM.

11. THEY SAW TAKRITI AT 12 NOON ON 20 OCTOBER.
SEE M I F T.

FCO PASS SVG TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR EVANS.

D.N.

/REPEATED AS REQUESTED/

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PRIORITY BAGHDAD
TELEGRAM NUMBER 348

TO FOREIGN AND COMMONWEALTH OFFICE
22 OCTOBER 1968

CONFIDENTIAL.

ADDS TO FCO TEL NO. 348 OF 22 OCT REPTD FOR INFMN SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

M I P T: IRAQI OIL.

SUTCLIFFE, MCDONALD AND HAHN SAW TAKRITI ON 20 OCTOBER. THE MEETING WAS A SUCCESS AND TAKRITI MADE A CONSIDERABLE IMPRESSION ON THEM ALL, INCLUDING THE AMERICAN, PARTICULARLY FOR HIS FRANKNESS IN TALKING ABOUT IRAQ'S CURRENT PROBLEMS.

2. TAKRITI WAS DEFINITE THAT HE AND PRESIDENT BAKR WANTED A SETTLEMENT WITH IPC: THE COUNTRY BADLY NEEDED INCREASED REVENUES. HE SAID, HOWEVER, THAT A SETTLEMENT WAS VERY DIFFICULT FOR THE GOVERNMENT AS IT HAD TO BE ACCEPTABLE TO THE ORDINARY PEOPLE OF IRAQ AND THE IPC'S IMAGE WAS BAD.

3. THROUGHOUT THE MEETING TAKRITI TOOK THE LINE THAT IT WAS THE REVOLUTIONARY COMMAND COUNCIL WHICH COUNTED IN IRAQ AT PRESENT. HE FREQUENTLY REFERRED TO QUOTE THE PRESIDENT AND I AND THE OTHER THREE UNQUOTE AND FOR MUCH OF THE MEETING, WHICH LASTED ONE AND A HALF HOURS, HE SPOKE IN THE FIRST PERSON TO DESCRIBE WHAT HE WANTED FOR IRAQ, ALTHOUGH HE ADMITTED THAT HE DID NOT KNOW HOW LONG HE WOULD BE IN POWER.

4. IRAQ WAS A DEVELOPING COUNTRY AND NEEDED HELP. APART FROM MATERIAL BENEFIT TO THE MASSES, PARTICULARLY IN THE COUNTRYSIDE, THE ARMED FORCES NEEDED EQUIPMENT. EVERY

/IRAQI

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IRAQI FAMILY HAD SOMEONE IN THE FORCES AND IF HE, TAKRITI, PROVIDED NEW EQUIPMENT, THEY WOULD RESPECT HIM. THE POLITICIANS WERE BOUND TO MAKE DIFFICULTIES FOR THE GOVERNMENT BUT THEY WOULD IF NECESSARY BE DEALT WITH, PARTICULARLY THE COMMUNISTS.

5. TAKRITI MADE IT CLEAR THAT HE WAS PROFOUNDLY ANTI-COMMUNIST AND THAT HE WANTED MILITARY EQUIPMENT FROM THE WEST. THE U.K. HAD HELPED ONCE IN 1963: UNFORTUNATELY THE AMERICANS HAD NOT. WITHOUT INCREASED PAYMENT, HOWEVER, FROM THE OIL COMPANY, HE WOULD NOT HAVE THE MONEY HE URGENTLY NEEDED. HE SUGGESTED TOO THAT THE IRAQIS, ALHTOUGH THEY HAD BEEN DISILLUSIONED WITH THE WEST, WERE EMOTIONAL AND CAPABLE OF TURNING BACK TO THEM QUICKLY IF THE RIGHT GESTURES OF FRIENDSHIP WERE MADE. DE GAULLE HAD GRASPED THIS POINT.

6. TAKRITI SUGGESTED THAT THERE SHOULD BE EARLY TALKS BETWEEN THE GROUPS AND THE MINISTERS OF OIL. IT WAS ESSENTIAL THAT THE GOVERNMENT SHOULD NOT BE DRIVEN INTO QUOTE DOING ANYTHING SILLY UNQUOTE. WHEN SUTCLIFFE REMARKED THAT IT WOULD BE DIFFICULT TO GET TALKS GOING BEFORE THE SECOND HALF OF NOVEMBER IN VIEW OF THE FORTHCOMING OPEC MEETING, TAKRITI SAID THAT THIS WAS NOT SOON ENOUGH. HE REGARDED THE MATTER AS URGENT. EVENTUALLY HE ACCEPTED THAT NEGOTIATIONS SHOULD START QUOTE AS SOON AS PRACTICABLE UNQUOTE. HE EXPRESSED HIMSELF WILLING TO BE DRAWN IN AT ANY TIME IF THEY TWO SIDES RAN INTO TECHNICAL DIFICULTIES.

7. SUTCLIFFE AND MCDONALD SAW RIFAI AGAIN ON 21 OCTOBER. ON THIS OCCASION HE WAS MORE RECEPTIVE, IF NOT FORTHCOMING, THAN HE HAD BEEN AT THE EARLIER MEETING. HE KNEW OF THE APPROACH TO TAKRITI AND TOOK NO UMBRAGE AT IT. HE THOUGHT THE SECOND HALF OF NOVEMBER WOULD BE SUITABLE FOR NEGOTIATIONS AFTER THE OPEC MEETING. HE ALSO DID NOT DISSENT FROM THE (GROUP OMMITED?) OF PARALLEL NEGOTIATIONS BETWEEN THE GROUPS AND THE GOVERNMENT ON THE ONE HAND AND THE GROUPS AND INOC ON THE OTHER. HE SAID;

/HOWEVER,

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BAGHDAD TELEGRAM NO.348 TO FCO.

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HOWEVER, THAT HE WOULD NOT BE CHAIRMAN OF INOC FOR MUCH LONGER.
(THERE IS NO INDICATION AS TO WHO THE NEW CHAIRMAN WILL BE).

8. SUTCLIFFE SAID THAT HE WAS MUCH ENCOURAGED BY THESE MEETINGS AND WAS GRATEFUL FOR OUR ASSISTANCE IN ARRANGING FOR HIM TO SEE TAKRITI. HE WOULD NOW GO BACK TO LONDON TO CONSULT THE GROUPS AND SEEK THEIR AGREEMENT FOR AN ADVANCE PAYMENT AS WELL AS EARLY NEGOTIATIONS. HE THOUGHT THERE WAS NOW A 50-50 CHANCE OF THIS. THE TEAM WHICH WOULD COME OUT IN THE SECOND HALF OF NOVEMBER WOULD PROBABLY BE FAIRLY LARGE.

FCO PASS SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR. EVANS

[REPEATED AS REQUESTED]

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ROUTINE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 389

CONFIDENTIAL

TO BAGHDAD

1 NOVEMBER 1968 (C. & C.O.)

(18)

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TOP COPY

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 389 OF 1 NOVEMBER REPEATED
FOR INFORMATION SAVING TO BEIRUT, PARIS, WASHINGTON, THE HAGUE AND
TEHRAN.

(13)

(15)

(16)

(17)

THANK YOU FOR YOUR TELEGRAMS NOS. 336, 342, 347 AND 348: IRAQ
OIL.

SUTCLIFFE AND MACDONALD REPORTED TO THE I.P.C. GROUPS ON THEIR
RETURN AND GROUPS ARE NOW CONSULTING ABOUT NEXT MOVE. THIS IS BEING
DONE INFORMALLY, LARGELY IN ORDER TO AVOID (A) TOO FIRM CORPORATE
POSITIONS BEING TAKEN UP AT THIS EXPLORATORY STAGE AND (B) THE OB-
STACLE OF JERSEY'S GENERALLY NEGATIVE ATTITUDE. (WITH REFERENCE TO
PARAGRAPH 9 OF YOUR TELEGRAM NO. 347, IT WOULD BE PREMATURE TO TALK
SERIOUSLY OF ANY MEMBER COMPANY QUOTE PULLING OUT UNQUOTE OF I.P.C.,
ALTHOUGH JERSEY - NOT MOBIL - HAS CERTAINLY BEEN MORE OR LESS ON THE
SIDELINES FOR SOME MONTHS.)

2. ONE CANNOT AT PRESENT BE TOO OPTIMISTIC ABOUT THE GROUPS' AGREING
ON SUFFICIENTLY FLEXIBLE TERMS OF REFERENCE FOR NEGOTIATING TEAM
TO SEEK A WAY THROUGH THE CONTINUED IMPASSE. THE BASIC QUESTIONS THE
GROUPS ARE ASKING THEMSELVES ARE WHETHER THE PRESENT IRAQI REGIME
IS WILLING AND ABLE TO MAKE AN OVERALL SETTLEMENT, HOW LONG THE
REGIME MIGHT BE EXPECTED TO REMAIN IN POWER AND CONSEQUENTLY HOW
MUCH MORE BARGAINING STRENGTH (I.E. PRINCIPALLY THE MONEY I.P.C.
ARE READY TO PAY FOR AN OVERALL SETTLEMENT) I.P.C. MIGHT WISELY
CONCEDE TO PREPARE THE GROUND FOR REACHING SUCH A SETTLEMENT.

3. IT DOES, HOWEVER, SEEM TO BE BROADLY ACCEPTED THAT A TEAM WILL
HAVE TO GO TO BAGHDAD AT ABOUT THE END OF THIS MONTH ON SOMETHING
MORE THAN ANOTHER EXPLORATORY MISSION. IT MAY WELL BE TWO OR THREE
WEEKS BEFORE ANYTHING APPROACHING AN I.P.C. CONSENSUS ON THE TEAM'S
TERMS OF REFERENCE TAKES SHAPE.

STEWART

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DEPARTMENT C. & O.D.

• Date and time (G.M.T.) telegram should
reach addressee(s)

2-11-68

SECURITY CLASSIFICATION	PRIORITY MARKINGS
<p>Top Secret Secret Confidential Restricted JTF Unclassified 1/11</p>	<p>Flash Immediate } Priority Routine</p>
<p>PRIVACY MARKING</p> <p><i>In Confidence</i></p>	<p>[Security classification—if any] CONFIDENTIAL</p>
<p><i>Ep Clair. Code Cypher</i></p>	<p>[Privacy marking—if any]</p>
<p><i>Draft Telegram to:— BAGHDAD No. 389 (Date) 1/11</i></p>	<p>[Codeword—if any]</p>
<p><i>And to:—</i></p>	<p>Addressed to BAGHDAD</p>
<p><i>Saving Repear to: Beirut Paris Washington The Hague Tehran</i></p>	<p>telegram No. 389 (date) 1/11</p>
<p><i>Saving to:—</i></p>	<p>And to Saving repeated for information/to BEIRUT PARIS WASHINGTON</p>
<p><i>THE HAGUE TEHRAN</i></p>	<p>Saving to</p>
<p><i>Departmental Distribution:— C. & O.D., NED, [↑]WED, NA + C Arabian, NAD, ^{although} Research IRD, Guidance, News</i></p>	<p>Thank you for your telegrams Nos. 336, 342, 347 and 348: Iraq Oil.</p> <p>Sutcliffe and MacDonald reported to the IPC Groups on their return and Groups are now consulting about next move. This is being done informally, largely in order to avoid (a) too firm corporate positions being taken up at this exploratory stage and (b) the obstacle of Jersey's generally negative attitude. (With reference to paragraph 9 of your telegram No. 347, it would be premature to talk seriously of any member company "pulling out" of IPC, but Jersey - not Mobil - has certainly been more or less on the sidelines for some months.)</p> <p>2. <u>In spite of the impression Sutcliffe seems to</u> <u>have given you, One cannot at present be too optimistic</u> <u>about the Groups' agreeing on sufficiently flexible</u> <u>terms of reference for a negotiating team to find seek a</u> <u>/way</u></p>
<p><i>1/11/68</i></p>	<p>CONFIDENTIAL</p>

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way through the continued impasse. The basic questions the Groups are asking themselves are whether the present Iraqi regime is really willing and able to make an overall settlement, how long the régime might be expected to remain in power and consequently how much more bargaining strength (i.e. principally **IPC** the money **they** are ready to pay for an overall settlement) IPC might wisely concede to prepare the ground for reaching such a settlement.

3. It does, however, seem to be broadly accepted that a team will have to go to Baghdad at about the end of this month on ^{more} than ~~an~~ another exploratory mission. It may well be two or three weeks before anything approaching an IPC consensus on the team's terms of reference ~~begins to form~~ ^{takes shape}.

W

1/1

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(19)

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COHER/CAT A
ROUTINE BAGHDAD
TELEGRAM NUMBER 394

TO FOREIGN AND COMMONWEALTH OFFICE
6 NOVEMBER 1968.

CONFIDENTIAL.

ADDRESSED TO FCO TELEGRAM NUMBER 394 OF 6 NOVEMBER REPEATED FOR INFORMATION SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE TEHRAN.

YOUR TELEGRAM NO 389: IRAQI OIL.

18 HAHN SAW IRAQI MINISTER OF OIL YESTERDAY. HE FOUND HIM RELAXED AND FRIENDLY BUT IN DETERMINED MOOD. MINISTER SAID THAT TIME WAS GETTING SHORT. HE HAD KNOCKED AT DOOR IF IPC: IF IT WERE NOT OPENED HE WOULD HAVE TO KNOCK ELSEWHERE OR BREAK IT DOWN.

2. HAHN SEEKS IN NO DOUBT THAT A TEAM WILL COME OUT BEFORE END OF MONTH AND THAT ITS ROLE WILL BE MORE THAN EXPLORATORY.

3. HAHN ALSO HOPES THAT DANNER, WHO HAS JUST PAID A VISIT HERE, WILL BE ABLE TO PERSUADE GROUPS TO PROVIDE FUNDS FOR A WORTHWHILE PROJECT TO IMPROVE COMPANY'S IMAGE WITH PUBLIC IN IRAQ. WHAT HE HAS IN MIND IS THE BUILDING AND EQUIPPING OF CLINICS, MOSTLY IN RURAL AREAS. THEY WOULD BE HANDED OVER AND BE RUN BY IRAQI GOVERNMENT.

FCO PASS SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR EVANS.

[REPEATED AS REQUESTED]

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With End A 19

BRITISH EMBASSY,

BAGHDAD.

(12/2)

~~100,51" No. 10001~~ to see attached.

8 November, 1968.

~~Ref~~ to enter and recheck

Dear Sirs, with relevant extract of Personnel
List please.

W

1411

MCP 359/1

17

Iraq National Oil Company

As foreshadowed in para. 7 of our telegram No. 348 of 22 October, Dr. Rifai has been replaced as chairman of I.N.O.C.

2. The new chairman is Dr. Saadun Hamadi an ex-Minister of Agrarian Reform, (Leading Personalities No. 151).

Yours ever

Dr. Hawley

(D. F. Hawley)

J. T. Fearnley, Esq.,
Commodities and Oil Dept.,
F.C.O.,
S.W.1.

Details of Dr. Hamadi's career and an assessment of his attitude have now been entered on our file.
P.A.
J.W.S./2.

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RECEIVED IN ARCHIVES No. 45
18 NOV 1968
MCP 359/1

He was an active plotter before the 8 February Revolution, when he was promoted to brigadier and appointed Lord Mayor of Baghdad. He became Minister of Housing in the Cabinet reshuffle in May 1963, but was replaced on 7 October. Appointed Ambassador at the Foreign Ministry, July 1964, and left for Vienna as Ambassador in September. Recalled for consultations, 25 November, and appointed Ambassador at Cairo, December 1964. Said to have narrowly missed a portfolio, 21 September, 1965.

A forceful and attractive personality, Rajab still cuts a lot of ice in army circles because of his "Free Officer" background. May still have a political future if he does not succumb to the fleshpots of an easy life abroad. A close friend of Naji Talib (q.v.).

147. Rashid Muhsin al-Jumaili (Lieutenant-Colonel)

Born about 1927. An infantry officer, protégé of Subhi Abdul Hamid (q.v.). Brought in to run the Security Department as Director-General, replacing Colonel Anwar Thamir, July 1964, in spite of having no apparent qualifications.

Worked to send Iraqi police and army officers on security courses in the U.A.R.: welcomed U.A.R. advisers on security into his Department. Reputedly took over many of the duties and responsibilities of the Military Governorship-General of Baghdad from the hands of a weak incumbent, Nafi' Ahmad, as 1964 wore on. It was rumoured that Colonel Muhsin had lost his post in late June 1965, along with the pro-Nasserite ministers, but he returned to it at the beginning of August. Associated with Razzaq's pro-Nasser coup of 15-16 September, and left with him for Cairo on 16 September.

148. Rashid Muslih (Retired Major-General)

Sunni, born Tikrit 1917. Commissioned in the army, 1938. As commander of 14 Brigade in April 1959 was implicated in the Mosul Revolt, and subsequently retired. Later reinstated in the army, he was again retired at the beginning of 1963, immediately before the February Revolution.

Reinstated in the army with the rank of brigadier on 8 February, 1963, he was appointed Military Governor of Baghdad. In September 1963, friction between the Security Police and the National Guard led to his offering his resignation, but this was refused. He played a prominent part in organising the 18 November, 1963 coup, being close to Lieutenant-General Tahir Yahya (q.v.), who also comes from Tikrit.

On 20 November he became Minister of the Interior while retaining the post of Military Governor-General of Baghdad. By the end of 1963 he had strengthened his position considerably in the internal power line-up. In 1964 however his position started to slip and he was attacked personally in the Soviet Press for his tough line towards Iraqi Communists. After an official visit to Cairo in June/July he gave up his duties as Military Governor-General, though he remained Minister of the Interior and served twice as a member of the Presidency Council during Arif's absence abroad. Lost his Cabinet post in the reshuffle of 14 November, 1964, and by all accounts was not sorry to quit. After the resignation of the pro-Nasser ministers in July 1965 he showed signs of being willing to return to office on his own tough terms, which included a return to normal economic conditions. These were not acceptable to Arif at the beginning of the Bazzaz ministry on 21 September 1965: but Muslih surprisingly came in as Minister of Communications a week later. Since then he has emerged again as one of the strongest

men in the Government, and probably has a future in his own right.

Muslih is a tough, cheerful and engaging little man of firm Iraqi Nationalist inclination, who would not be sorry to see some sort of Hashimite restoration. This perhaps indicates a decree of political naïveté. He is popular with the man in Baghdad street and probably also acceptable in the army, though strongly identified with the Tikrit grouping. Married, with children, he speaks no English but understands a little.

149. Rose Khadduri (Dr.)

Born about 1909. Christian. Wife of Khadduri Khadduri (q.v.). Graduated from American University Beirut 1940. Principal of Baghdad West Girls' High School 1940-48. Took Doctorate in Education at Columbia University 1951, and returned to teaching, but suspended for three years for opposition to Nuri Said (she made critical speeches at meeting of the Women's Federation in Beirut). Reinstated in 1957 as professor at the Women's College. Attended the 1958-59 session of the United Nations as an Iraqi delegate. Appointed Dean of Al Tahrir College (Baghdad University's Women's College) in spring 1959 in succession to the Nationalist Mrs. Daud Salman Ali. She might have become Iraq's first woman Minister, but was pipped at the post by Dr. Naziha al-Dulaimi (q.v.). She was dismissed and her property frozen, February 1963. She was seen, in reasonably good health, in the Baghdad Prison for women in December 1963. In 1964 her property was "unfrozen" and she was released from jail, but remains under surveillance.

Active in feminist organisations of all descriptions, she was a member of the Executive Committees of the (Communist) Iraqi Women's League 1959-60, and of the Teachers' Union 1959-60 while it was still under Communist control. Rose Khadduri is a fellow-traveller and disagrees with her moderate National Progressive Party husband. They do not have much to do with each other. She is intelligent and pleasant to meet socially.

150. Sa'ad Umar

Born in Karbala in 1917. Shia. Son of Umar Haj Alwan, one of the Karbala representatives on the Constituent Assembly. Educated at Karbala and Baghdad. Graduated in the Law College about 1941. Thereafter he practised as a lawyer in Karbala until 1947, when he became Deputy for Karbala. He was not re-elected in 1948, but was put in in a by-election later in the year. Minister for Social Affairs in Ali Jaudat's Government of December 1949, and of Education in Taufiq Suwaidi's Cabinet in February 1950. A member of Nuri Pasha's Constitutional Union Party November 1949. Kept quiet during 1959 and the beginning of 1960 and consequently out of trouble, although he hated Qasim and the régime.

In July 1961 became business manager of the Iraq Times Printing Co. (publishers of Baghdad's English-language newspaper) which was bought out by an Iraqi consortium. He and the *Iraq Times* survived the 1963 Revolutions unscathed: the paper finally succumbed to Abdul Karim Farhan's Press Law of April 1964, and nothing has been heard of Sa'ad since.

151. Sa'adun Hammadi (Dr.)

Shia, in his middle '30s, he comes from Karbala. He graduated from the American University of Beirut, and in 1957 obtained a Ph.D. in agriculture from Wisconsin University.

He became an editor of the newspaper *Jumhuriya* after the 1958 Revolution, and wrote several editorials in praise of Abdul Salam Muhammad Arif (q.v.). A member of the Ba'ath Party, he was sent from Iraq to Libya to undertake the organisation of the party there, and was sentenced to six years' imprisonment for plotting. After he had served about one year of the sentence the Libyan authorities sent him back to Baghdad, where he arrived at the end of January 1963 and was put in prison by Qasim. He was released by the Revolution of 8 February, 1963.

Appointed Minister of Agrarian Reform in the Revolutionary Cabinet, he held this post till 16 November, when he was replaced because of his support for Ali Salih al-Sa'adi's extremist group. After the coup of 18 November he was variously reported to be under arrest or to have fled the country. Hammadi's name cropped up again at the time of the abortive assassination plot of 4 September, 1964.

While the Ba'ath were in power Hammadi's influence was exerted mainly behind the scenes; though known to be something of an ideologue he never became a public figure. It needed the eclipse of the Ba'ath to bring him some transient notoriety.

152. Sadiq Mustafa (Major-General)

Sunni, born about 1912. A regular army officer and infantry specialist. At the time of the 1958 Revolution he was Second-in-Command of an infantry battalion, and was then promoted to the job of Garrison Commander at Jalula. By 1962 he was in command of the 20th Brigade, which he commanded during the operations against the Kurds. He was wounded in the fighting in June 1962. Under the Ba'ath he continued in his post, but following the November 1963 Revolution he was appointed acting commander of the 5th Division, an appointment that was confirmed in May 1964. He was promoted major-general in July 1964. Lost his divisional command in September 1965 for inefficiency, and was appointed Mutasarrif of Amara.

Weak and cruel, this officer is particularly detested by the Kurds, who blame him for punitive attacks on the fields and villages. Politically an opportunist. No English.

153. Said al-Qattan (Staff Brigadier)

Sunni, born in Mosul about 1920. A regular infantry officer. Although not in sympathy with the Qasim régime, he continued to serve throughout its course in a number of minor posts, and was promoted brigadier in January 1962. At the time of the February 1963 Revolution he was commander of the Military College. In June 1963 he was appointed overall commander of the operations against the Kurds, with the equivalent of almost three divisions of troops under his command. Following the November 1963 Revolution he was appointed commander on paper of an embryonic 6th Division, which was never formed. This appointment was in the nature of a down-grading but he returned to favour with an appointment as commander of the 4th Division in February 1964. Appointed D.C.G.S. (Ops.) in September 1965, just before President Arif's departure for the Casablanca "summit".

A close friend of Duraid al-Damluji and of Brigadier Yunis Attar Bashi (q.v.), who was appointed to command the 4th Division in his place, Qattan does not appear to have very pronounced political inclinations. He is a diabetic,

and has suffered from increasingly indifferent health in the past few years. He has a pleasant manner, and speaks good English.

154. Said Sulaibi (Colonel)

Sunni, born Ramadi, 1922, the son of a warrant officer. Sponsored for entry to the Military College by Major-General (Retired) Umar Ali. A regular army officer and military police expert. Wounded during the fighting on 8 February, 1963, after which he emerged as a supporter of the Ba'ath Party. After the Revolution of 18 November, 1963, he was appointed acting commander of the Baghdad Garrison. In April 1964 he became also Commander of the Military Police. A "secret" member of the National Council of the Revolutionary Command until its dissolution in August 1965; claimed that he had never really been a Ba'athist.

During 1965, Sulaibi let it be known that the price of his allegiance was a mere £50,000. This may have encouraged the pro-Nasserite engineers of the abortive coup of 15 September, 1965, to approach him; but Sulaibi stood firm and with Colonel Bashir Ismail al-Talib (q.v.) and the Director-General of Police saved the situation for President Arif. After the formation of Dr. al-Bazzaz' civilian régime on 21 September, Sulaibi quickly fell out with the new Minister of Defence, Major-General Abdul Aziz Uqaili (q.v.) who claimed that Sulaibi had become thoroughly above himself and insubordinate; he was saved by the personal intervention of the President, but sent on three months "leave" at the end of October.

Sulaibi is not very bright to meet. He appears uncouth and fat, with hardly any English, but he is reputed to be brave on occasion. He maintains contacts with all sides, especially the moderate Ba'ath under Ahmad Hassan al-Bakr (q.v.).

155. Salah Khalis (Dr.)

Born Basra 1925. Educated at the Sorbonne. Imprisoned for one year under the old régime for alleged Communist sympathies when a lecturer at the College of Arts. Appointed Director-General of Technical Affairs in the Ministry of Education in November 1958. Was a member of the editorial board of *Al Thaqafa al Jadida*, a very Left-wing literary magazine. Member of the National Council of Peace Partisans in April 1959. Secretary of the Communist-dominated Iraqi Writers' Union 1959-60. Founder member of the Iraqi-Albanian Friendship Society, and visited Albania on an official invitation in November 1959. Sent to Moscow University to teach Arabic for two years in December 1960.

Salah may not actually be a member of the Communist Party, but has pronounced Left-wing tendencies and is sympathetically inclined towards the Communists. He was a member of the Iraqi delegation which negotiated the Anglo-Iraqi Cultural Agreement in 1959. He was among the most intelligent and forceful of the Minister of Education's advisers and his influence was thrown in favour of strengthening the links between Iraq and Eastern Europe. He played an important part in the negotiations leading up to the Iraqi-Soviet Vocational Training Agreement and was posted to Moscow in January 1963 to teach Arabic there. After the February 1963 Revolution he joined the Higher Committee of the Iraqi People's Movement abroad, situated at Prague.

Khalis has a pleasant Egyptian wife formerly employed by Baghdad Radio. She is an ex-teacher who speaks good French and a little English.

Mr Seaxley with (20)
W. 1/1 Mr O'Grady
Camm & Oil Ext
R. G 65/1
GOCAS

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CYPHER/CAT A
IMMEDIATE BAGHDAD
TELEGRAM NUMBER 357

TO FOREIGN AND COMMONWEALTH OFFICE
28 OCTOBER 1968

CONFIDENTIAL.

ADDRESSED TO F C O TELNO. 357 OF 28 OCTOBER R F I ANKARA
KHOARAMSHAHR OSLO AND STOCKHOLM

MY TELNO. 352 : ARREST OF HONORARY SWEDISH AND NORWEGIAN
VICE-CONSUL.

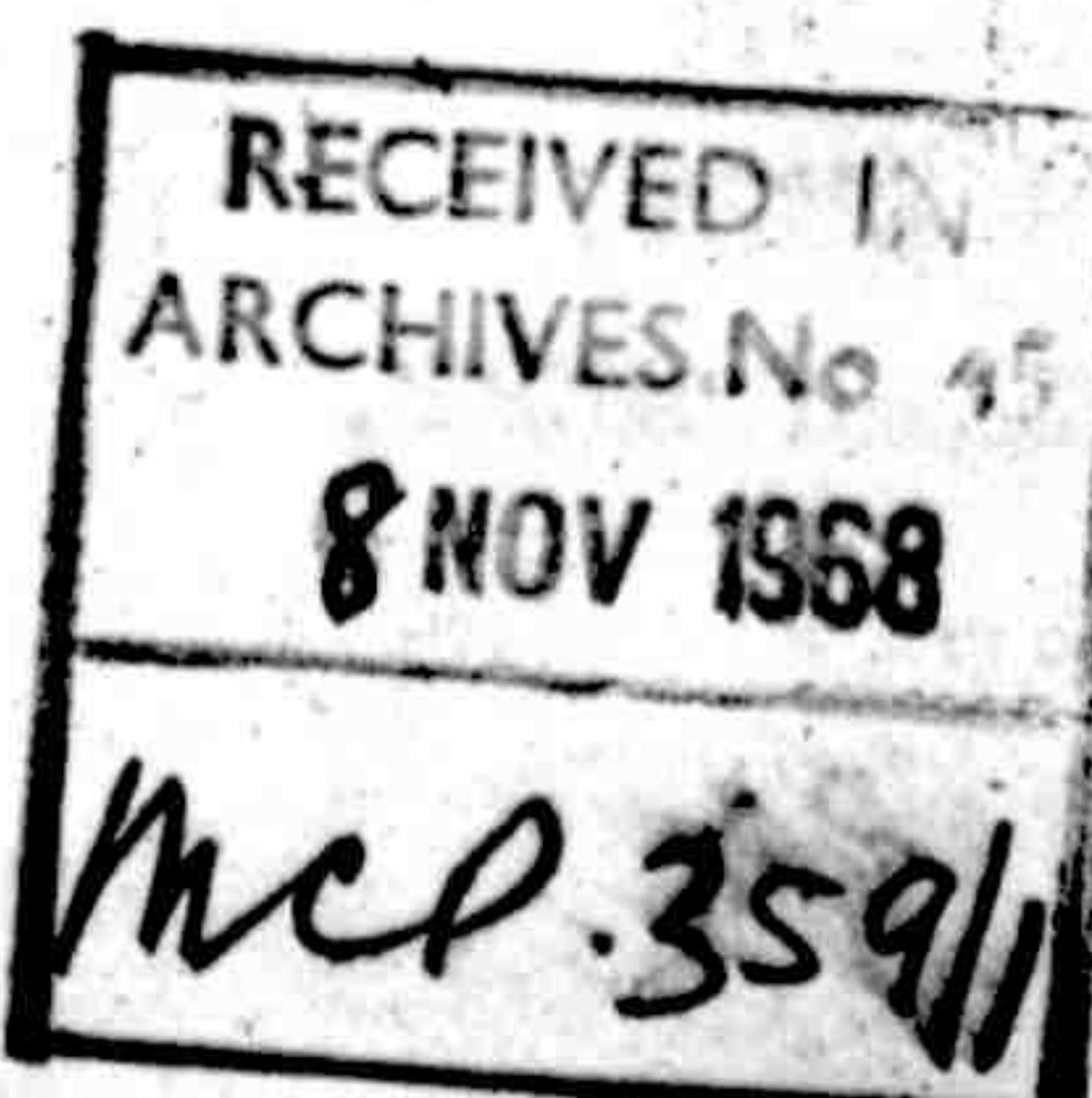
THE MINISTER OF THE INTERIOR WAS UNFORTUNATELY NOT AVAILABLE.
I WAS RECEIVED BY THE MINISTER OF DEFENCE ON 27 OCTOBER.
(IT WAS IN FACT TO THE MINISTRY OF DEFENCE AND NOT TO THE
MINISTRY OF THE INTERIOR THAT MR. MENZIES WAS TAKEN ON
HIS ARRIVAL FROM BASRA).

2. GENERAL TAKRITI SAID THAT HE HAD HEARD OF THE AFFAIR FROM
A VISITING SWEDISH BUSINESSMAN WHO WAS A FRIEND OF HIS AND HAD
MADE ENQUIRIES. MR. MENZIES HAD IN A LETTER TO HIS SWEDISH
PRINCIPAL BEEN CRITICAL OF THE NEW REGIME. GENERAL TAKRITI
ADMITTED THAT HE HAD NOT SEEN THE LETTER. I SAID THAT I HAD
AND THAT WHAT MR. MENZIES HAD WRITTEN WAS NO MORE THAN WHAT
APPEARED IN, FOR INSTANCE, THE BEIRUT PRESS.

3. HAVING CONFIRMED THAT MR. MENZIES WAS NO LONGER IN THE
MINISTRY OF DEFENCE BUT HAD BEEN TRANSFERRED TO THE MINISTRY OF
THE INTERIOR GENERAL TAKRITI TELEPHONED THE DEPUTY DIRECTOR
GENERAL OF PUBLIC SECURITY AND SAID THAT HE WANTED MR. MENZIES
RELEASED IMMEDIATELY REPEATING WHAT I HAD SAID ABOUT THE CONTENTS
OF THE LETTER. HE WENT ON TO SAY THAT AT A TIME WHEN THE GOVERNMENT

I WAS

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- 2 -

WAS TRYING TO IMPROVE ITS RELATIONS WITH FRIENDLY FOREIGN COUNTRIES, IT WAS COUNTER PRODUCTIVE FOR THE SECURITY AUTHORITIES TO HARASS FOREIGN NATIONALS. THE SECURITY AUTHORITIES HAD THE DUTY TO WATCH AND REPORT ON FOREIGNERS WHOSE ACTIVITIES GAVE RISE TO SUSPICION BUT IF THERE WAS ANY QUESTION OF ARREST OR EXPULSION, THE EMBASSY OR CONSULATE CONCERNED SHOULD BE INFORMED AND ASKED TO TAKE THE NECESSARY ACTION. GENERAL TAKRITI SAID THAT HE WAS VERY SORRY ABOUT THE WHOLE BUSINESS.

4. I THANKED HIM AND SAID THAT HIS HELPFUL ATTITUDE IN THIS CASE AND (ALSO IN THE CASE OF A SENIOR IRAQ PETROLEUM COMPANY OFFICIAL WHO HAD BEEN THREATENED WITH EXPULSION AND ABOUT WHOSE CASE I HAD SPOKEN TO HIM) WOULD BE DULY APPRECIATED.

5. WE ARE INFORMED THAT MR. MENZIES IS BEING RELEASED THIS MORNING. PLEASE SEE M I F T.

F C O PASS IMMEDIATE TO ANKARA AND ROUTINE TO KHOORAMSHAHR OSLO AND STOCKHOLM.

MR. EVANS

[REPEATED AS REQUESTED]

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1) Entry ~~and 8/11~~
2) Copy to New Eastern Dept
3) Return to me with ~~12/20~~
BRITISH EMBASSY,
BAGHDAD.
Wt

(20)

(12/2)

2 November 1968. 7/11

Subject to further reflection, my first
reaction is that Mr Hahn (? and Mr Evans)
are oversanguine and overeagerly framing
the pace.

My dear General,

I.P.C.

JTF

MCP 359/1

(17)

You have I am sure, been giving a good deal of thought to the latest telegrams from here ending with my telegram number 348 of 22 October. You should, I think, know that the I.P.C. management here - we have been seeing a good deal of Hahn since he took over - and Sutcliffe of B.P. with whom we had a number of useful talks during his last visit, far from resenting what might be thought interference on our part, are most anxious in present circumstances to have our help in convincing their masters in the Groups of the need for a prompt response and a flexible approach. They specifically mentioned that Geoffrey Arthur, who not only knows Iraq well but is also well known to the oil companies, is well placed to put the message across - clearly I.P.C. and B.P. will lose no time in inviting him around as soon as he gets settled. They also thought that we could usefully tackle and enlist the support of Humphrey Trevelyan, who is of course on the Board of B.P.

2. Hahn is, I think, impressed by the possibilities of the present regime here, particularly as represented by General Takriti. Drawing on his experience of the Lebanon and of the special relationship he had with General Chebab, he is convinced of the value of a "political" approach i.e. gaining the confidence of the top man and coming to an agreement with him. Given this, so the theory runs, negotiations with the experts and technicians fall fairly easily into place. The local I.P.C. management is all the more attracted by this as the opposite technique was followed in 1965 when an excellent technical agreement was negotiated with Wattari only to be thrown overboard by the politicians.

3. Unfortunately, as with most attractive theories there is a snag. In the Lebanon there is virtually only one General; in Iraq they are falling over each other and Takriti himself, as you know, has his difficulties. Furthermore there is just now a certain depression in the I.P.C. owing to the expulsion of Bannister, their Chief Engineer at Kirkuk. (I mentioned this briefly in my telegram No. 357 of 31 August [paragraph 47].

28 Oct

/Takriti

J. T. Fearnley, Esq.,
Commodities and Oil Department,
Foreign and Commonwealth Office,
S.W.1.

RECEIVED IN
ARCHIVES No 45
8 NOV 1968

MCP 359/1

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Takriti who had promised me that he would, if necessary, see both Hahn and Bannister before a decision was reached, has let it be known to Hahn that he did not wish after all to intervene and had referred him to the Minister of Foreign Affairs. This hesitation on Takriti's part presumably reflects tension within the regime and is we hope only temporary. What is certain is that the regime is going through a rather difficult patch - consolidation, we hope.

4. This letter is not, of course, for circulation outside the Department.

xxxxxxxx

T. E. Evans

(T. E. Evans)

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Reference

with 20

~~Mr. Moore~~
~~Mr. Arthur a.a.~~
~~Mr. Makinson~~
Mr. Gallagher o.r.

-/20

We spoke briefly about the attached letter of 2 November from Mr. Evans. I attach a draft reply.

2. The draft attempts to 'pull the punches' somewhat, since I can see little or no room for reading Mr. Evans' first paragraph other than as it is written and I am, if anything, more disbelieving of what he says about Mr. Sutcliffe than the draft suggests.

3. However, my basic concern is the possibility of the 'over-energetic' IPC representative sweeping the Ambassador along with him into not fully considered proposals, perhaps because the latter might not be sufficiently critical of the former's ideas and tactics. For example, the suggestion of a back-stairs approach to Lord Trevelyan is one which I would not have expected the Ambassador to transmit without comment and thereby to imply that he endorsed it.

4. If Mr. Hahn and Mr. Evans (consciously or unconsciously) were together to seek to force the pace, this could seriously add to the complications of the whole problem. The draft is, therefore, generally aimed at hinting to Mr. Evans that he should keep his mental distance in his dealings with Mr. Hahn.

J. T. Fearnley

(J. T. Fearnley)
18 November 1968

While I do not dissent from the draft, and am quite prepared to consider myself as expendable from Mr. Evans' point of view, the subject is essentially an oily one on which I would not really presume to have views worth the account. CONFIDENTIAL

AMMoore
18-11

Spoke to Mr. Moore, who agrees to the wording of the phrases in the final para.

Date to issue.

6/1968

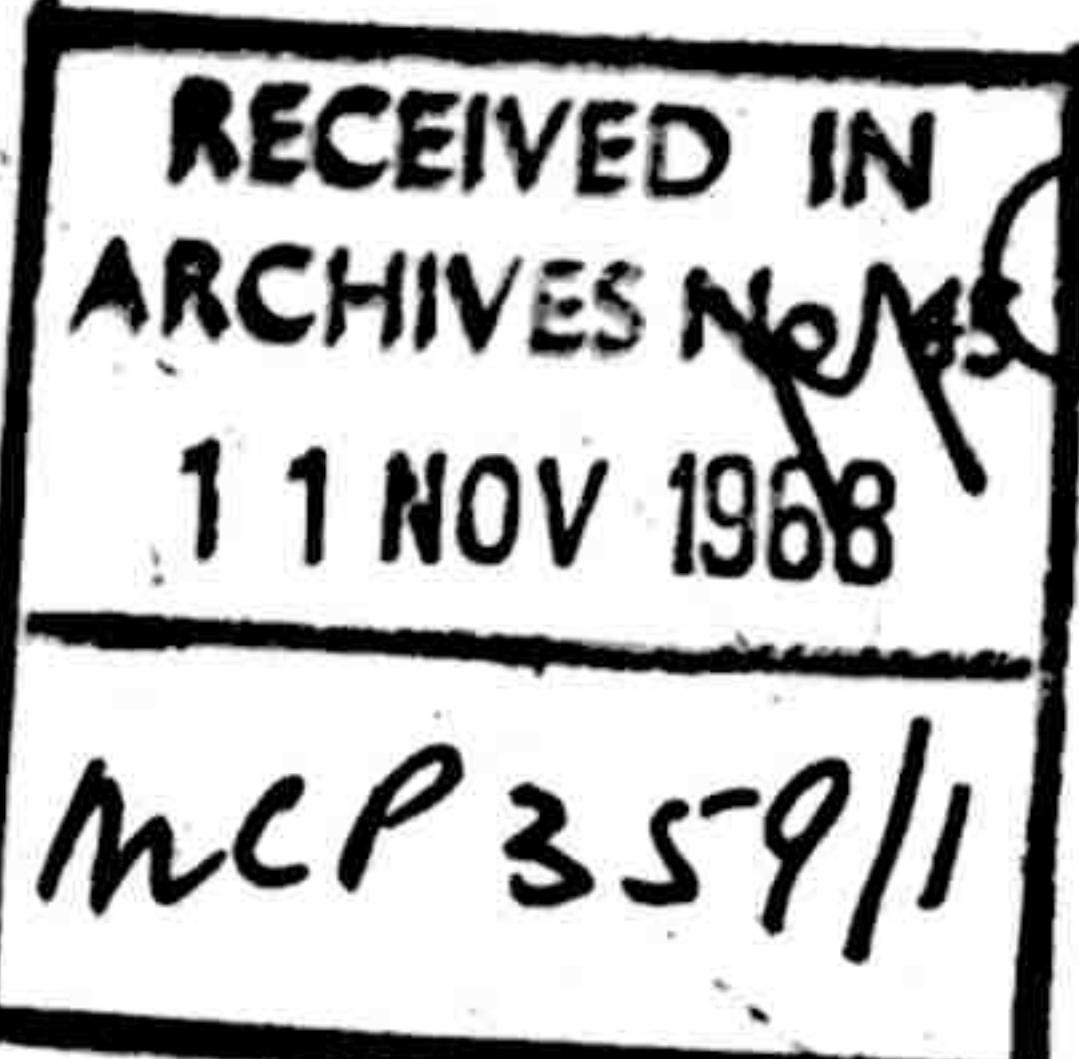
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CYPHER/CAT A

ROUTINE BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 405 9 NOVEMBER 1968



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ADDRESSED TO F C O TELNO. 405 OF 9 NOVEMBER R F I SAYING
BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

19 MY TELNO. 394 OF 6 NOVEMBER : IRAQI OIL.

THE UNDER-SECRETARY AT THE MINISTRY OF OIL, ON
WHOM HAHN PAID A ROUTINE CALL ON 8 NOVEMBER AND WHO IS WELL-
DISPOSED TO THE COMPANY, WAS UNEXPECTEDLY OUTSPOKEN IN HIS
COMMENT ON THE PRESENT POSITION. HE SAID IT WOULD BE A DISASTER
IF THE GROUP REPRESENTATIVES CAME OUT AND MERELY TALKED. IT
WAS SUCH TACTICS THAT RESULTED IN LAW 80. THE PRESENT GOVERN-
MENT HAD A DEFINITE OIL POLICY BUT HAD NOT YET MADE UP
THEIR MINDS ABOUT RELATIONS WITH THE CONCESSIONARY COMPANY.

IF THERE WAS NO SETTLEMENT, PEOPLE LIKE HIMSELF, WHO
WERE FRIENDLY TOWARDS THE COMPANY, WOULD BE CAST ASIDE.

2. HERRIDGE, IPC CHAIRMAN, WHO CALLED ON ME THIS MORN-
ING, SAID THAT HAHN HAD GIVEN HIM A SIMILAR ACCOUNT OF WHAT
THE UNDER-SECRETARY HAD SAID.

F C O PLEASE PASS SAYING TO BEIRUT PARIS WASHINGTON THE
HAGUE AND TEHRAN.

MR. EVANS
DEPARTMENTAL DISTRIBUTION
COMMODITIES & OIL DEPT.,
ARABIAN DEPT.
NORTH AFRICAN DEPT.
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NNNN

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P.O.
JW. 11/1

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(22)



BRITISH EMBASSY,
PARIS.

W

11/11

(27/20)

8 November, 1968

My dear John
Iraq Oil

I met Vincent Labouret, the Quai d'Orsay man attached to the Compagnie Française des Petroles, whom I had not seen for some time, at a party recently and we agreed to lunch soon and talk about Iraqi oil.

(18) —

2. We duly did so yesterday at his house. I had previously briefed myself from our file of telegrams, up to and including your telegram to Baghdad No. 389 of 1 November. I left it to Labouret to do most of the talking, since he is an expert on the subject and I am not.

3. I began by asking Labouret when he had last been in Iraq. He said he had been there last July when the Aref regime had fallen and the double-barrelled coup d'état had taken place in late July and August. Before the coup there had seemed to be some prospects of achieving a deal between Aref and the I.P.C., but the situation was now more obscure.

4. I asked what he thought of the latest developments. He said that the Sutcliffe-MacDonald Mission had returned and reported to I.P.C. that the new regime had given them a fairly good reception and had said they would like to settle outstanding problems, but had admitted at the same time that they could not yet name a date when negotiations for an overall settlement could begin. Labouret said that his impression was - and he implied that all the I.P.C. partners shared it - that the new regime was not yet firmly enough in the saddle to make up its mind about its own negotiating position. It was not certain what terms it could justify to public opinion against the inevitable attacks of political enemies. It was therefore hard to see how I.P.C. could open negotiations or why they should offer concessions. He added that Danner had been in Iraq about ten days ago and had formed much the same impression as Sutcliffe and MacDonald.

5. I asked if he thought I.P.C. could safely wait for an indefinite period without talking to the Iraqi Government, who seemed anxious to lay their hands on some ready cash. Labouret said there were risks in any course. He referred to the fact that at one moment there had seemed to be a possibility of reaching an agreement with I.N.O.C. whereby I.P.C. would exploit parts of the North Rumaila field as I.N.O.C.'s agent. This, however, had not been followed up by the Iraqis.

J. T. Fearnley, Esq.,
Oil Department,
Foreign and Commonwealth Office.

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He seemed to think it might be worth enquiring whether I.N.O.C. were still interested in such a deal, but he did not actually say so.

6. I asked whether E.R.A.P. shared Labouret's view of the present situation in Iraq. He said that he thought they did. Reports from the French Ambassador in Iraq painted the same picture of an unstable situation. E.R.A.P. were, however, going ahead cautiously with the exploitation of their concession and had recently given a party in Baghdad to celebrate their first exploratory drilling in their concession area near the Iranian frontier.

7. My impression from Labouret's attitude was that the French did not much like the present set-up in Baghdad and would be glad to see a change. They may be influenced by the alleged reluctance of the Iraqis to clinch the deal made with Aref for the purchase of 50 Mirages. Labouret's account of the Sutcliffe-MacDonald findings was rather more on the negative side than your telegram under reference, but I did not say this to him.

8. I should add that Labouret had begun our lunch by saying that it was a pity that Anglo-French relations were so distant, and that our Governments really ought to talk to each other more. I said that this was also the British view. We reverted to this theme at the end of our lunch and Labouret observed that it was a long time since we had had official Anglo-French talks on the Middle East. I said that M. Debré had suggested the Middle East as a possible topic for discussion when he saw the Ambassador on 30 October (our telegram 1083, -not in not to all). We left it at that.

C.W.O.

9. I think Labouret's invitation showed a slightly increased willingness on the part of the French to talk to us about Iraq now that we have resumed diplomatic relations with Baghdad and now that the complications of the situation there are perhaps a little more apparent to General de Gaulle than they were at the time of the Six Day War. Labouret produced, incidentally, the standard justification of C.F.P's "cavalier seul" exploits in Iraq last year and I gave our standard reply. Labouret and I have agreed to see each other again before too long, so if there is anything in particular you would like me to say or not to say, I should be grateful to know.

Yours ever,
W. B. J. Ledwidge,
(W. B. J. Ledwidge)

c.c. Chanceries at Washington, The Hague,
Tehran, Baghdad, Beirut.

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13 NOV 1968
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M.C.

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(23)

EN CLAIR

BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

TELNO 411 12 NOVEMBER, 1968

UNCLASSIFIED

ADDSD TO FCO TELNO 411 OF 12 NOV R F I SAVING TO BEIRUT PARIS
TEHRAN WASHINGTON AND THE HAGUE.

IRAQI OIL.

IN OPENING THE SEVENTEENTH O P E C CONFERENCE ON 9 NOV PRESIDENT
BAKR MADE THE FOLLOWING POINTS INTER ALIA.

(A) MONOPOLISTIC COMPANIES SHOULD HAVE BECOME ALIVE TO THE SUFFER-
ING OF THE DEVELOPING OIL PRODUCING COUNTRIES AND LAID DOWN SOUND
BASES FOR DEALING WITH THEIR PEOPLES.

(B) IRAQ HAD SUFFERED MUCH AS A RESULT OF THE OIL COMPANIES
PASSIVE POLICY OF QUOTE PROCRASTINATION AND MANOEUVRES UNQUOTE.
THERE HAD BEEN CLEAR LAGGING BEHIND IN THE FIELD OF PRODUCTION
AND THERE WAS A LIST OF OUTSTANDING DISPUTES WHICH STILL
AWAIT A JUST SOLUTION.

(C) IN THE PAST IRAQ HAD TRIED TO FIND SOLUTIONS THROUGH NEGOT-
IATIONS WITH THE COMPANIES WHO HAD HOWEVER STUCK TO THEIR TRADITIONAL
POLICY OF BARGAINING AND PROCRASTINATION.

THIS LED TO LAW 80 OF 1961 AND LAW 97 OF 1967.

(D) THE JULY 17 REVOLUTION HAD TAKEN PRACTICAL AND SPEEDY STEPS
TO IMPLEMENT THE POLICY OF DIRECT NATIONAL EXPLOITATION OF OIL
THROUGH BOLSTERING THE NATIONAL OIL COMPANY.

(E) THE COMPANIES NOW OPERATING IN IRAQ WERE CALLED UPON MORE
THAN EVER TO QUOTE REVISE THEIR ATTITUDE TO WARDS IRAQ'S RIGHTS
AND THEIR POLICY OF PROCRASTINATION WHICH COULD NEVER BE TO
THEIR ADVANTAGE. UNQUOTE.

FCO PLEASE PASS SAVING TO BEIRUT PARIS TEHRAN WASHINGTON AND THE
HAGUE

MR. EVANS

[REPEATED AS REQUESTED]

FCO/WH DISTRIBUTION
COMMODITIES AND OIL DEPT

P.G.
JW
N/M

~~to Gandy~~

I attach a draft on the lines
we discussed.

John Keen

Mr 25/11 N.E.D. and especially 38
W.E.D. } after action L Evans shd see.
MW 9/12 R.E. 25/11. Dm
Recent draft to issue.

4th
1911.

P. a.

Mr 12.

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24

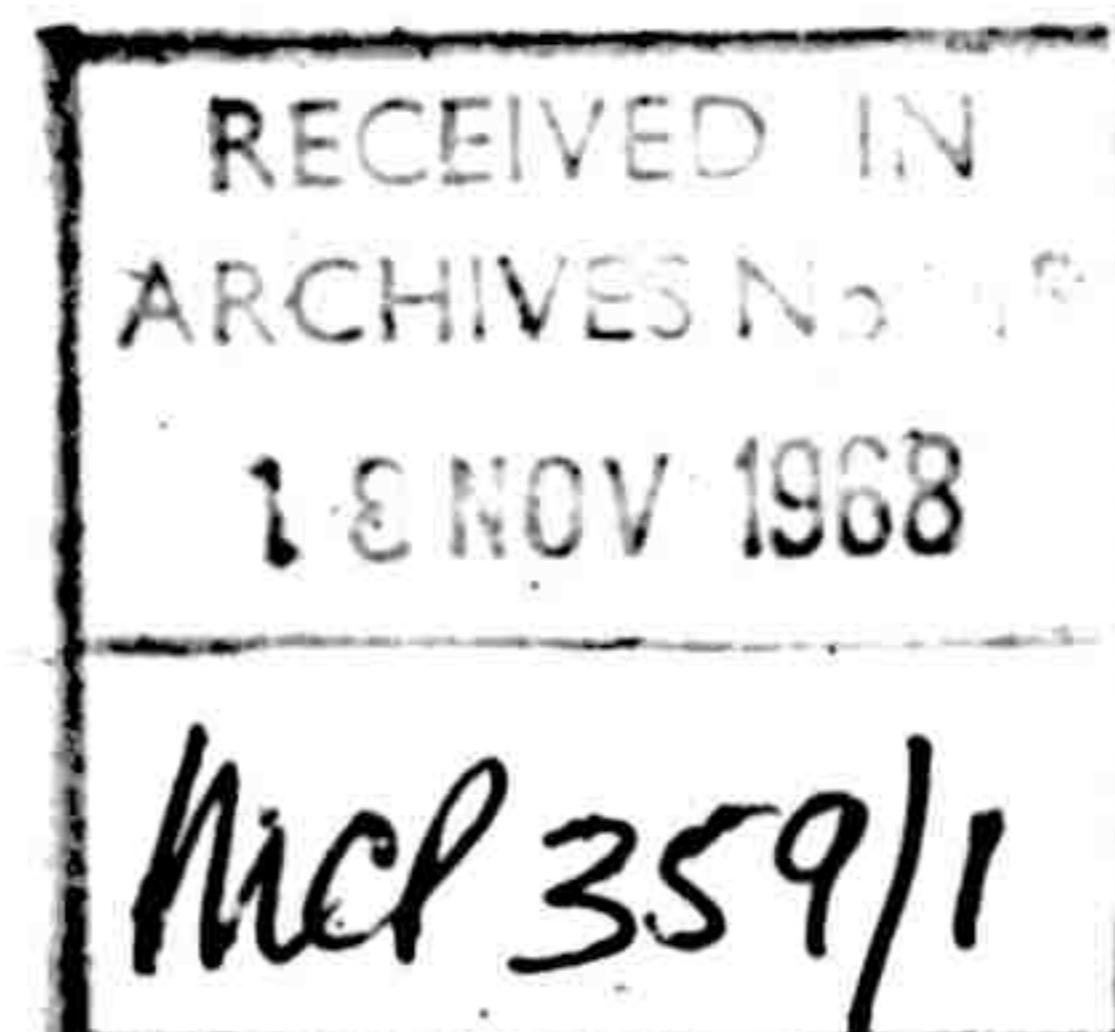
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CYPHER/CAT A

ROUTINE BAGHDAD
TELEGRAM NO 421

TO FOREIGN AND COMMONWEALTH OFFICE
14 NOVEMBER 1968



CONFIDENTIAL

23
ADDRESSED TO F C O TELEGRAM NUMBER 421 OF 14 NOVEMBER
REPEATED FOR INFORMATION SAVING TO BEIRUT PARIS WASHINGTON
THE HAGUE AND TEHRAN.

MY TELEGRAM NO 411: IRAQI OIL.

I HAVE DEFERRED COMMENT AS DR. NADIM PACHACHI HAD ARRANGED
TO CALL ON ME. I SAW HIM YESTERDAY.

2. IN GENERAL, PRESIDENT BAKR HAS NOW SAID IN PUBLIC
MORE OR LESS WHAT HE, GENERAL TAKRITI AND DR. RAFAI, MINISTER
OF OIL, HAVE BEEN TELLING COMPANY'S REPRESENTATIVES AND MYSELF
OVER PAST COUPLE OF MONTHS. COMPANY'S LOCAL REPRESENTATIVES ARE
FAVOURABLY IMPRESSED BY RELATIVE MODERATION OF LANGUAGE.

3. PACHACHI, WHO WAS ALSO IMPRESSED BY DR. RAFAI'S PERSONALITY
AND BY IRAQI'S MODERATE BEHAVIOUR AT OPEC, WHERE IT SEEMS THEY
FELT THEY WERE AT SOME DISADVANTAGE VIS-A-VIS THEIR MORE
SUCCESSFUL AND CONFIDENT FELLOW MEMBERS, SAID THAT HE BELIEVED
GENERAL TAKRITI WAS IN FAVOUR OF A SETTLEMENT AND THAT
HE, PACHACHI, HAD, THROUGH FRIENDLY INTERMEDIARIES,
BEEN URGING HIM TO RECOGNISE COMPANY'S RIGHT TO COMPENSATION
FOR LOSS OF CONCESSIONARY RIGHTS. WITHOUT THIS THEY COULD NOT
HOPE TO GET AGREEMENT ON ROYALTY EXPENSING OR ON PARTICIPATION IN
EQUITY WHICH HAD COME UP IN RATHER A HALF-HEARTED WAY IN THE
OPEC CONFERENCE. ONCE PRINCIPLE WAS ADMITTED, ACTUAL

/COMPENSATION

CONFIDENTIAL

(Reply as 29)

TA letter (at para 26) has also
since gone to H.Amb., Baghdad.)

25/11
Arabian Dept. (to Gen'l).
See p.a.
✓W

CONFIDENTIAL

- 2 -

COMPENSATION COULD BE MADE IN CRUDE WITH ARRANGEMENTS FOR IPC TO ACT AS A CONTRACTOR TO IRAQ NATIONAL OIL COMPANY. THIS WOULD ENABLE THE MANY INDEPENDENT OIL COMPANIES WHO ARE READY TO DO SO TO COME TO IRAQ AND TO WORK UNDER CONTRACTUAL ARRANGEMENTS WITH INOC. (HAHN RATHER GATHERED FROM MINISTER OF OIL IN INTERVIEW REFERRED TO IN MY TELEGRAM NO 394 THAT SOME (19) SUCH SUPERVISORY ROLE WAS ENVISAGED FOR INOC.) PACHACHI WENT ON TO SAY THAT TIME SHOULD NOT BE LOST IN WORKING OUT DETAILED TEXTS: WHAT THEY REQUIRED WAS HEADS OF AGREEMENT APPROVED BY GOVERNMENT AND PARTY. DETAILED TEXTS COULD THEN BE WORKED OUT LATER AND GOVERNMENT AND PARTY WOULD BE BOUND TO ACCEPT THEM. THIS IS WHAT HAD HAPPENED IN 1961 WHEN, UNDER (? GP OMTD.), HE HAD BEEN DIRECTOR GENERAL OF NATIONAL ECONOMY RESPONSIBLE FOR OIL AFFAIRS AND HAD WORKED ON THE 50/50 AGREEMENT.

4. PACHACHI SAID DIFFICULTY COULD BE EXPECTED FROM THE AMERICAN SHAREHOLDERS, WHO CONSIDERED THAT EVEN A DEMAND FOR COMPENSATION IMPLIEDrecognition of legality OF UNILATERAL ACTION. JERSEY HAD EVEN HANDED OVER TO MOBIL ITS SHARE IN THE MIXED COMPANY PROVIDED FOR IN WATARI AGREEMENT.

5. WE NATURALLY ENCOURAGED PACHACHI TO CONTINUE TO TRY TO INFLUENCE TAKRITI IN RIGHT DIRECTION, BUT AGREED THAT TAKRITI'S HANDS WERE PROBABLY NOT FREE. PACHACHI SAID HE DID NOT KNOW WHETHER TAKRITI COULD CARRY THE PARTY WITH HIM. (THE IPC LOCAL REPRESENTATIVES HAVE, HOWEVER, LEARNED THAT PARTY AUTHORISED TAKRITI TO SPEAK AS HE DID TO SUTCLIFFE AND MACDONALD - PLEASE SEE MY TELEGRAM NO 348 - AND, AS TAKRITI HAS SAID HIMSELF, THE MORE FAVOURABLE RESPONSE HE HAS FROM COMPANY, THE STRONGER WILL BE HIS POSITION VIS-A-VIS HIS COLLEAGUES AND THE PARTY.) (17)

6. IT IS GENERALLY ADMITTED THAT MUCH OF IPC'S DIFFICULTY IS DUE TO ITS' QUADRIPARTITE NATURE, AS A RESULT OF WHICH ANY AGREEMENT IS ONLY POSSIBLE ON THE BASIS OF LOWEST COMMON DENOMINATOR. IN PRESENT POLITICAL CLIMATE HERE THE /ATTITUDE

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BHDAD TELEGRAM NO. 421 TO FOREIGN AND COMMONWEALTH OFFICE

- 3 -

ATTITUDE OF AMERICAN PARTNERS, WHILE UNDERSTANDABLE, IS A
SPECIALY SERIOUS OBSTACLE. IF, AS YOU INDICATE IN YOUR
18 TELEGRAM NO 389 JERSEY ARE NOT REALLY INTERESTED AND IF MOBIL
ARE UNDULY OBSTRUCTIVE, MIGHT NOT THE ANSWER BE FOR THE OTHER
PARTNERS TO BUY THEM OUT? THIS SUGGESTION IS OF COURSE ENTIRELY
PERSONAL AND I REALISE THAT IT RAISES ISSUES FAR BEYOND MY
COMPETENCE. IT DOES HOWEVER SEEM GENERALLY AGREED THAT THERE
IS NEED FOR A NEW INITIATIVE.

FCO PASS SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE
AND TEHRAN.

MR. EVANS

REPEATED AS REQUESTED

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ECONOMISTS DEPT.

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CYPHER/CAT A AND BY BAG
ROUTINE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 418

TO BAGHDAD

15 NOVEMBER 1968.
(C. & O.D.)

25

CONFIDENTIAL

ADDRESSED TO BAGHDAD TELNO 418 OF 15/11 REPEATED FOR INFORMATION
SAVING TO BEIRUT, THE HAGUE, PARIS, TEHRAN AND WASHINGTON.

19

21

YOUR TELEGRAM NOS. 394 AND 405: IRAQ OIL.
FOR YOUR INFORMATION CONSULTATIONS AMONGST THE IRAQ PETROLEUM
COMPANY GROUPS, INCLUDING SENIOR EXECUTIVES FROM THE HEAD OFFICES
OF THE AMERICAN COMPANIES, ARE EXPECTED TO COME TO A HEAD NEXT WEEK.
IT IS HOPED A COMMON LINE CAN THEN BE AGREED WITH A VIEW TO A TEAM
GOING TO BAGHDAD, PERHAPS THE FOLLOWING WEEK. IT NOW SEEMS GENERAL-
LY ACCEPTED THAT THIS TEAM SHOULD BE EMPOWERED TO NEGOTIATE RATHER
THAN MERELY CONTINUE TO EXPLORE, BUT IT IS TOO EARLY EVEN TO
SPECULATE ON THE TEAM'S TERMS OF REFERENCE AND THE SCOPE OF NEGOT-
IATION.

STEWART

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RECEIVED IN ARCHIVES No 45
19 NOV 1968
ArctP 359/1

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pd
11/20/11

6
11
Registry No.
DEPARTMENT C & O D

• Date and time (G.M.T.) telegram should
reach addressee(s)

SECURITY CLASSIFICATION	PRIORITY MARKINGS
Top Secret Secret Confidential Restricted Unclassified JTF 15/11	Flash Immediate Priority Routine

(Date)

Despatched

NOTHING TO BE WRITTEN IN THIS MARGIN

Draft Telegram to:

BAGHDAD

No.

418.

(Date)

15/11

And to:

Saving

Repeat to:

~~BEIRUT
THE HAGUE
PARIS
TEHRAN
WASHINGTON~~

Saving to:

Departmental
Distribution:—
C. & O.D., NED,
Arabian, NAD,
WED, News, EEID
Research Dept.
Guidance Dept.
IRD

Copies to:

Mr. Gregory,
Min of Power
Mr. Derrick,
Treasury.

PRIVACY MARKING

In Confidence

*En Clair.
Code
Cypher*

[Security classification

—if any

CONFIDENTIAL

[Privacy marking

—if any

[Codeword—if any]

Addressed to

BAGHDAD

telegram No.

418

(date)

15/11.

And to

Saving

repeated for information to BEIRUT THE HAGUE

PARIS TEHRAN, WASHINGTON

Saving to

Your telegram Nos. 394 ~~6 November~~ and 405
~~7 November~~ : Iraq Oil.

For your own information consultations amongst the Iraq Petroleum Company Groups, including senior executives from the head offices of the American companies, are expected to come to a head next week. It is hoped a common line can then be agreed with a view to a team going to Baghdad, perhaps the following week. It now seems generally accepted that this team should be empowered to negotiate rather than merely continue to explore, but it is too early even to speculate on the team's terms of reference and the scope of negotiation.

ur

15/11

CONFIDENTIAL

15/11

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Paragraph 4 of Mr ~~Earl~~ Earnley's
letter of 19 November to Mr Hedges.
It has now been agreed that
a limited amount of time
should be devoted to the middle
East following consultations on
African questions during the
week beginning 15 December.

Robert
4/12

M² Earnley ^{4/12/68} to see
M² Wallis ^{4/12/68} + P.A.

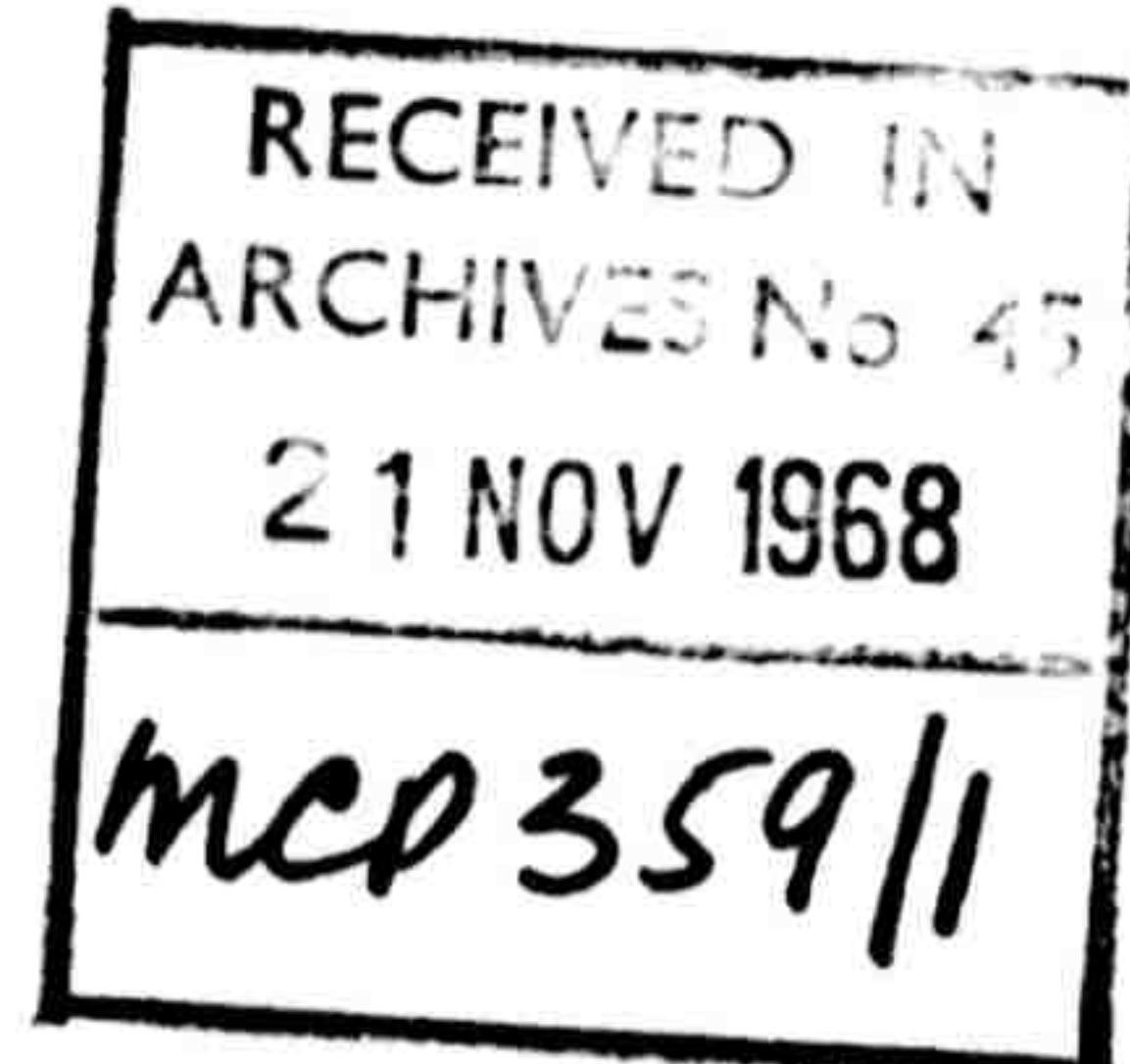
AS Ellington

11/12/68.

PERSONAL & CONFIDENTIAL

26

(MCP 359/1)



19 November, 1968

Iraq Petroleum Company

20

Thank you for your letter (12/2) of 2 November. (Since you wrote there have, of course, been further exchanges of telegrams between us.)

2. I was puzzled by the references in your first paragraph to the position of John Sutcliffe of BP. It may be that there was some inadvertent telescoping of drafting or of syntax which has misled me. I have known Sutcliffe for a number of years and am familiar with his general style as well as with his thinking on current IPC problems. In view of this I find it very difficult to believe that he should be privately seeking our aid to influence his masters in BP. Certainly the suggestion that we might enlist the support of Humphrey Trevelyan does not fit in with the Sutcliffe I know; he is well aware that this is not our way of doing things and that, if we were to do this, it would be seriously counter-productive within BP, even assuming that Humphrey Trevelyan would be ready to entertain such an approach from us. It may be that this Trevelyan point has been garbled (? by Hahn); I know that Sutcliffe has informally floated the idea in IPC circles that if a visit by a high-level personality seemed at some time a useful negotiating move, Trevelyan might well be the man for this now that Bridgeman's BP days are virtually over. When I saw Sutcliffe a few days ago, he spoke readily and frankly about his and BP's thinking on the IPC problem and it was quite clear that there were no internal BP obstacles to his own ideas.

3. Having said that about Sutcliffe, I am not surprised at the line you describe in your first paragraph coming from Hahn. Although I have met Hahn only rarely and at wide intervals, I have followed his IPC activities here and there for some years and have had qualms about him for some time. I did not express these qualms to you at the time of his appointment because they were more of a hunch than 'hard evidence' and I did not wish to seem to be damning him before he had a chance to show his paces in his new job. When Dalley originally mentioned the proposed appointment to me (Foreign Office telegram No. 93 of 27 June to you), he fished for my opinion. Since the appointment had already been approved by the IPC Board and in view of the basis of my judgment of Hahn ~~desir~~

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193/1

144

T.E. Evans Esq., C.M.G., O.B.E.,
HM Ambassador,
BAGHDAD.

(1)

PERSONAL & CONFIDENTIAL

described above, I confined myself to wondering aloud whether Hahn would be able to lie low when necessary and to eschew being too active when this would be inopportune. Dalley clearly took the point and showed no disposition to dispute it. Since then I have been left in no doubt by a number of the people directly associated with the IPC that Hahn's tendency to be 'over active' and to force the pace is not well regarded. If he is not careful, he may come to be regarded as the tail attempting to wag the IPC dog. A senior executive of a Group which certainly favours a flexible approach to the IPC question made a very sharp comment in this sense to me in strict confidence only a few days ago. (This was sparked off by Hahn's recent further* visit to London when a number of people thought he would do better staying at his post in Baghdad.)

** (he is still here having been delayed by illness but is due to return in a day or two.)*

4. I am sure you have sensed this about Hahn during your close personal contacts with him in recent months. Nevertheless I thought you should know that, as seen from here, if he attempts to force the pace too much, the effect could well be counter-productive and make a solution of the intractable IPC problem even more difficult; a solution which Hahn himself as well as you and we want to see and which most of the companies and people directly concerned here are seeking with a degree of flexibility which the IPC has not always shown in the past. But Hahn is the man with whom you have to deal and your relations with him are valuable to us as well as yourself. We fully appreciate that your task is not made easier by this aspect of his personality.

5. As regards what you report of Hahn's views on the strategy to be adopted by IPC with the Iraqis, our only comments at the moment are that - as you yourself imply in your paragraph 3 - Hahn seems to be rather over-simplifying things and drawing parallels with the Lebanon which might well not stand up to close examination. Certainly, after some years dealing with Iraq oil affairs I have no doubt myself that the Iraqis are a law unto themselves.

6. On the broader question, as you know from earlier correspondence, we certainly agree with the principle of the need for as prompt (and constructive) an IPC response as possible and a flexible approach. But, leaving aside any inter-Group differences, I do not envy the task of those who have to put this principle into practice in terms of strategy, tactics, timing and general judgment. Nor, I am sure, do you.

7. Your letter will not, of course, be circulated outside the FCO; nor will this reply, which has been seen by Tony Moore and which is equally for private background information.

(J.T. Fearnley)

Registry No. MCP 359/1

SECURITY CLASSIFICATION

Top Secret.

Secret

Personal Confidential

Restricted

Unclassified

PRIVACY MARKING

In Confidence

DRAFT LETTER

To:—

T.E. Evans Esq.,
 C.M.G., O.B.E.,
 HM Ambassador,
 Baghdad.

Type 1 +

From

J.T. Fearnley
 Telephone No. & Ext.

Department

Iraq Petroleum Company

Thank you for your letter (12/2) of 2 November. (Since you wrote there have, of course, been further exchanges of telegrams between us.)

2. I was puzzled by the references in your first paragraph to the position of John Sutcliffe of BP. It may be that there ~~was~~ ^{been} some inadvertent telescoping of drafting or of syntax which has misled me. I have known Sutcliffe for a number of years and am familiar with his general style as well as with his thinking on current IPC problems. In view of this I find it very difficult, ~~is~~ ^{Certainly} ~~virtually impossible~~, to believe that he should be privately seeking our aid to influence his masters in BP. ~~Furthermore~~ the suggestion that we might enlist the support of Humphrey Trevelyan does not fit in with the Sutcliffe I know; ~~if only because~~ he ~~knows~~ ^{is} ~~well~~ ^{aware} that this is not our way of doing things and ~~would realise~~ that, if we ~~did~~ ^{were to do} this, it would be seriously counter-productive within BP, even assuming that Humphrey Trevelyan would be ready to entertain such an approach from us. It may be that this Trevelyan point has been garbled ^(? by Hahn); I know that Sutcliffe has informally floated the idea in IPC circles that if a visit by a high-level personality

~~CONFIDENTIAL~~

seemed at some time ~~a~~ ^{useful} ~~desirable~~ negotiating move, Trevelyan might well be the man for this, ~~particularly~~ now that Bridgeman's BP days are virtually over. When I saw Sutcliffe ~~recently~~, ^{a few days ago,} he spoke readily and frankly about his and BP's thinking on the IPC problem and it was quite clear that there were no internal BP obstacles to his own ideas.

3. Having said that about Sutcliffe, I am not surprised ~~that~~ ^{at} the line you describe in your first paragraph ~~should come~~ ^{coming} from Hahn. Although I have met Hahn only ~~briefly~~ ^{rarely} and at wide intervals, I have followed his IPC activities here and there for some years and have had qualms about him for some time. When Dalley originally mentioned the proposed appointment to me (Foreign Office telegram No. 93 of 27 June to you), he ~~asked~~ for my opinion. Since the appointment had already been approved by the IPC Board and in view of the basis of my judgment of Hahn as described above, I confined myself to wondering aloud whether Hahn would be able to lie low when necessary and to eschew being too active ~~in one way and another~~ when this would be inopportune. Dalley clearly took the point and showed no disposition to dispute it. Since then I have been left in no doubt by a number of the people directly associated with the IPC that Hahn's tendency to be 'over-active' and to force the pace ~~willy-nilly~~ is not well regarded.

A senior executive of a group which certainly favours a flexible approach to the IPC question made a very sharp comment in this sense to me in strict confidence only a few days ago. (~~This was sparked off by~~ Hahn's recent ~~to the visit to London,~~ when a number of people thought he would be better staying at his post in Baghdad.)

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I did not express these qualms to you at the time of his appointment because they were more of a hunch than 'hard evidence' and I did not wish to seem to be damning him before he had a chance to show his paces in his new job.

If he is not careful, he may come to be regarded as the tail attempting to wag the IPC dog.

Shell

including

NOTHING TO BE WRITTEN IN THIS MARGIN

~~CONFIDENTIAL~~

CONFIDENTIAL

~~in view of~~ your close personal contacts with him in recent months. Nevertheless I thought you should know that, as seen from here, if he attempts to force the pace too much, the effect could well be counter-productive and make a solution of the intractable IPC problem even more difficult; a solution which Hahn himself as well as you and we want to see and which most of the companies and people directly concerned here are ~~genuinely~~ seeking with a degree of flexibility which the IPC ~~as a whole~~ has not always shown in ~~the past. Since~~ ^{But} Hahn is the man with whom you have to deal and ~~since~~ your relations with him are valuable to us as well as yourself, we fully appreciate that your task is not made easier by this aspect of his personality.

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6. On the broader question, as you know from earlier correspondence, we certainly agree with the principle of the need for as prompt (and ~~cautious~~ ^{judicious}) an IPC response as possible and a flexible approach. But, leaving aside any inter-Group differences, I do not envy the ~~task~~ of

/those

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those who have to put this principle into practice in terms of strategy, tactics, ~~and~~ timing. Nor, I am sure, do you.

7. Your letter will not, of course, be circulated outside the FCO; nor will this reply, which reflects Tony Moore's views as well as my own, ~~private background~~ and which is equally ~~information~~ ^{private background}

and general judgment.

which has been seen by Tony Moore

44

18/11

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27

Foreign and Commonwealth Office
London S.W.1

(MCP 359/1)

19 November, 1968

()

22

Iraq Oil

Thank you very much for your letter (27/20) of 8 November about your conversation with Vincent Labouret.

2. His reserved view about the stability of the present situation in Iraq and the linked prospects for IPC was of particular interest, bearing in mind that CFP would like to see an overall settlement, even on radical lines, if they thought one could be obtained and would stick. Your account was particularly valuable since I had not seen Jean Danner, because of his being out of London, for a few weeks. In the past Danner and Labouret have often seemed to see Iraq oil questions very much eye to eye.

3. However, Danner returned just as I was about to reply to your letter and spoke to me on the telephone. Whatever his view a few weeks ago, he now certainly thinks that the IPC should try for an overall settlement (with maximum caution about how the negotiating cards are actually played) and, with the approval of Victor de Metz, will be proposing this to his IPC colleagues this week. (I would prefer you not to mention to Labouret this apparent conflict with his evidence. A change of Danner's mind would not be surprising in the light of the difficulties everyone concerned in IPC has had in making a judgment and even a week can show a considerable change in the thinking of any of those dealing with this intractable subject. Furthermore it is possible that Danner will temper his present thinking in the light of discussion with his colleagues.)

(4. I am drawing the attention of Near Eastern Department to your paragraph 8 about Anglo-French talks on the Middle East.)

5. As you will have seen from recent telegrams, the IPC Groups are at this moment in the process of deciding the line for the next round with the Iraqis. There is nothing particular at present which we should like you to say to Labouret; I shall let you know whenever there is any special point we should like you to put to him in addition to, or in support of, whatever we might be saying to Danner here. However, as the above

W.B.J. Ledwidge Esq., C.M.G.,
HM Embassy,
PARIS.

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21 NOV 1968
MCP. 359/1

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shows, we shall have to be careful about not crossing wires and not getting out of step. In the meantime please be guided by our telegrams and other correspondence and concentrate on drawing Labour out as you did, if I may say so, so successfully at your last meeting.

6. I need hardly say that one aspect which we should want you not to refer to is any difference in attitudes amongst the Groups which we might record from time to time and in particular any which might seem to show a division on European/American lines. (On the latter point you will have seen from our telegrams that there is no such division.)

(J.T. Fearnley)

copies:

Chanceries,
Washington
The Hague
Tehran
Baghdad
Beirut
A.T. Gregory Esq., } with a copy of
Ministry of Power. } Mr. Ledwidge's
F.P.B. Derrick Esq., } letter of 8/11
Treasury.

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Registry
No.

MCP 359/1

SECURITY CLASSIFICATION

Top Secret.
Secret.
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Restricted. JW/JTF
Unclassified. 19.11

PRIVACY MARKING

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copies as at end
of letter.

DRAFT LETTER

To:—

W.B.J. Ledwidge Esq.,
C.M.G.,
PARIS

Type 1 +

From

J.T. Fearnley
Telephone No. & Ext.

Department

Iraq Oil

Thank you very much for your letter
(27/20) of 8 November about your conversation
with Vincent Labouret.

2. His reserved view about the stability of
the present situation in Iraq and the linked
prospects for IPC was of particular interest,
bearing in mind that CFP would very much like
to see an overall settlement, even on radical
lines, if they thought one could be obtained
and would stick. Your account was particularly
valuable since I had not seen Jean Danner,
because of his being out of London, for a few
weeks. In the past Danner and Labouret have
often seemed to see Iraq oil questions very
much eye to eye. ^{3.} However, Danner returned just
as I was about to reply to your letter and spoke
to me on the telephone. Whatever his view ~~two~~
^{certainly} weeks ~~or so~~ ago, he now ^{thinks} that the I.C
should ~~go~~ for an overall settlement (with ~~all~~
~~maximum~~ necessary caution about how the negotiating ~~cards~~
are actually played) and, with the approval of
Victor de Metz, will be proposing this to his
IPC colleagues this week. (~~we should not wish~~
^{I would prefer}
~~not~~ ^{to Labouret} you to mention this apparent ~~conflict of view~~
~~to Labouret.~~ ^{A change of Danner's mind} ~~is not~~ ^{change}
of the difficulties everyone concerned in IPC
has had in ~~making~~ ^{coming to} a judgment and ~~in any case~~
even a week can show a considerable change in

conflict with his
modest evidence

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the thinking of ~~any & the~~ ~~dealing with~~ single individual on this intrac-table subject.) // I am drawing the attention of Near Eastern Department to your paragraph 8 about Anglo-French talks on the Middle East).

5. As you will have seen from recent telegrams, the IPC Groups are at ~~present~~ ^{this moment} in the process of deciding the line for the next round with the Iraqis. There is nothing particular at ~~the present~~ moment which we should like you to say to Labouret; I shall let you know whenever there is any special point we should like you to put to him in addition to, or in support of, whatever we might be saying to Danner here. However, as ~~the~~ ^{above} ~~recent~~ episode shows, we shall have to be careful about not crossing wires and ~~not~~ getting out of step. ~~in~~ timing. In the meantime please be guided by our telegrams and other correspondence ~~and~~ concentrating on drawing Labouret out as you did, if I may say so, so successfully at your last meeting.

6. I need hardly say that one aspect which we should want you not to refer to is any difference in attitudes amongst the Groups which we might record from time to time and in particular any which might seem to show a division on European/American lines. (On the latter point you will have seen from ~~recent~~ ^{our} telegrams that there is no such ~~clear~~ ~~out~~ division.) Indeed Labouret's and Danner's opinions suggest that they may be as many separate minds within companies as between them.

Copies to .

4

1/1

Furthermore it is possible that Danner will temper his present thinking in the light of a discussion with his colleagues.

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MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: Abbey 7000 - Ext. 1081

28

Our reference:

Yours reference:

enter

JKW
20/11

19th November, 1968.

R. H. Ellingworth, Esq.,
Commodities & Oil Dept.,
Foreign & Commonwealth Office,
Downing Street,
S.W. 1.

~~M. S. Wait.~~ ~~Mr. 20/11~~

~~Despatch~~

23

Baghdad telegram No. 411 which suggests the
other members of IPC buy out the Americans.

X

We can't afford it (and I doubt if we can

afford a settlement anyway).

Yours ever

Sydney

S. W. FREMANTELE

19/11 P.M.
to ~~Ward~~
to Ellingworth. ~~20/11~~ 26/11

Ref X: I have discussed with Mr. Fremantle, who has told me that we may soon receive a letter from the Ministry of Power on the question of the IPC settlement.



Vol. 1000 1/26/11

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29

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CYPHER/CAT A AND BY BAG
PRIORITY FOREIGN AND COMMONWEALTH OFFICE
TELEGR. 1 NUMBER 430

TO BAGHDAD

19 NOVEMBER 1968. C. & C.

CONFIDENTIAL.

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 430 OF 19 NOVEMBER REPEATED
FOR INFORMATION TO WASHINGTON AND SAVING TO BEIRUT, THE HAGUE,
PARIS AND TEHRAN.

IRAQ OIL.

24

25

YOUR TELEGRAM NUMBER 421 CROSSED MY TELEGRAM NUMBER 418.

2. YOUR TELEGRAM REINFORCES PREVIOUS ONES FROM YOU ON THIS SUBJECT
BY HIGHLIGHTING THE KEY PROBLEM FACING THE IRAQ PETROLEUM COMPANY,
NAMELY THE WILLINGNESS AND ABILITY OF THE PRESENT REGIME TO REACH
AN OVERALL SETTLEMENT AND TO MAKE IT STICK (PARAGRAPH 2 OF MY → 18
TELEGRAM NUMBER 389). A GREAT DEAL, PERHAPS TOO MUCH FOR COMFORT,
SEEMS TO DEPEND ON TAKRITI, WHOSE POSITION IN YOUR AND PACHACHI'S
VIEW IS BY NO MEANS SURE, IN PARTICULAR AS REGARDS HIS STANDING
WITH THE BA'ATHIST PARTY AS WELL AS THE GOVERNMENT.

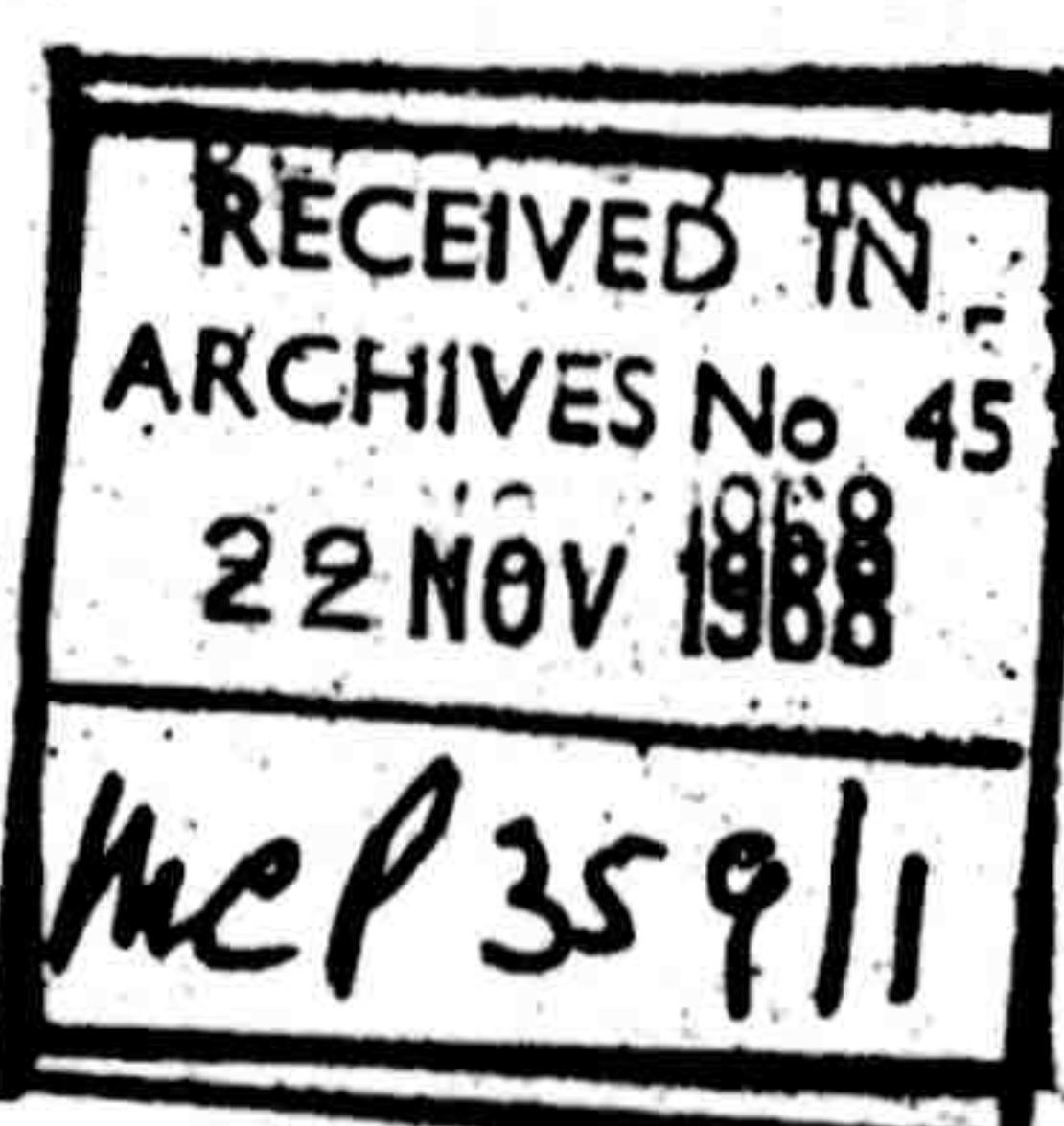
3. SUTCLIFFE OF BP, TO WHOM WE GAVE GIST OF PACHACHI'S COMMENTS
IN YOUR PARAGRAPHS 3 AND 5 COMMENTED THAT THESE LARGELY ECHOED
ON THE ONE HAND WHAT SUTCLIFFE AND MACDONALD HAD ALREADY SAID TO
TAKRITI AND ON THE OTHER WHAT MEMBERS OF THE IPC HAD THEMSELVES
SAID TO PACHACHI.

4. AGAINST THIS BACKGROUND AND IN VIEW OF THE IRAQIS' BEHAVIOUR
IN THE PAST THE TASK OF THE IPC GROUPS IN JUDGING THE BEST
STRATEGY, TACTICS AND TIMING IS UNENVIABLE. HOWEVER FRUSTRATING
INTER-GROUP DIFFERENCES HAVE BEEN AND NO DOUBT WILL BE AGAIN, THE
GROUPS' HESITATIONS AND DOUBTS ARE, THEREFORE, BROADLY

/UNDERSTANDABLE.

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Par
the 28th



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-2-

UNDERSTANDABLE. NEVERTHELESS, AS FAR AS WE CAN JUDGE, THEY ALL NOW APPRECIATE THE NEED FOR AN EARLY APPROACH OF SUBSTANCE TO THE IRAQIS AND ARE GIVING SERIOUS THOUGHT TO THIS AT THIS MOMENT. WHETHER THEY WILL DECIDE ON A PIECEMEAL APPROACH ONLY OR WILL ALSO BE PREPARED TO PROPOSE AN OVERALL SETTLEMENT IF THE CLIMATE SEEMS RIGHT REMAINS TO BE SEEN.

5. IN THIS CONTEXT THE ATTITUDES OF THE US COMPANIES ARE IN NO SENSE OVERRIDING. WITH REFERENCE TO YOUR PARAGRAPH 6, WE HAVE NO EVIDENCE THAT MOBIL ARE BEING OBSTRUCTIVE: INDEED THEIR ATTITUDE FOR SOME TIME HAS BEEN CONSTRUCTIVE IN SPITE OF THE UNCERTAINTY WHICH THEY SHARE WITH THE OTHER GROUPS. JERSEY, ALTHOUGH THEY HAVE CERTAINLY BEEN DOG-IN-THE-MANGER, ARE NOW PARTICIPATING IN SEEKING A COMMON LINE. EVEN IF JERSEY WERE TO SHY OFF ONCE AGAIN, THEY WOULD NOT NECESSARILY SEEK TO OBSTRUCT THE OTHERS, ALTHOUGH AS IN 1965 (OVER THE BAGHDAD OIL COMPANY PROJECT) THEY MIGHT NOT WISH TO ASSOCIATE THEMSELVES DIRECTLY WITH EVERY ELEMENT OF AN OVERALL SETTLEMENT. FURTHERMORE IT IS AT THE LEAST DEBATABLE WHETHER, UNDER THE TANGLED IPC QUOTE CONSTITUTION UNQUOTE, JERSEY COULD EFFECTIVELY OBSTRUCT A COURSE OF ACTION BACKED BY THE OTHER MEMBER COMPANIES. THE QUESTION OF THE OTHER COMPANIES BUYING THE AMERICANS OUT DOES NOT THEREFORE ARISE. EVEN ASSUMING THAT THIS WERE THE PRIOR CONDITION OF A SETTLEMENT, IT WOULD NOT ONLY RAISE SERIOUS QUESTIONS GOING BEYOND IRAQ, BUT WOULD STILL LEAVE THE REST OF THE IPC GROUPS FACED WITH THE PROBLEM OF DEALING WITH A REGIME, THE NEGOTIABILITY AND DURABILITY OF WHICH ON ALL AVAILABLE EVIDENCE SEEM FAR FROM CERTAIN.

STEWART

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Top Secret Secret Confidential Restricted Unclassified	Flash Immediate } Priority Routine

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19/11

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En Clair.
Code
Cypher

Draft Telegram to:—

~~BAGHDAD~~
~~PRIORITY~~

No. *430*

(Date) *19/11*

And to:—

*Cleared with
Eastern Dept.
(Mr. Nahas.)*

Repeat to:—

~~WASHINGTON~~

from you

Saving to:—

~~BEIRUT~~
~~THE HAGUE~~
~~PARIS~~
~~TEHRAN~~

*Departmental
Distribution:—*

C. & O.D., NED,
Arabian, NAD,
WED, News, EEID,
Research Dept.
Guidance Dept.

IRD

Copies to:—

Mr. Gregory,
Min of Power.
Mr. Derrick,
Treasury.

(Date)

Dispatched

*19/11
1937*

CYPHER

[Security classification
—if any] CONFIDENTIAL

[Privacy marking
—if any]

[Codeword—if any]

Addressed to BAGHDAD PRIORITY

telegram No. 430 (date) 19 November

And to

repeated for information to WASHINGTON

Saving to BEIRUT THE HAGUE PARIS TEHRAN

Iraq Oil.

Your telegram No. 421 14 November crossed my telegram No. 418 15 November.

2. Your ~~present~~ telegram reinforces previous ones on this subject by highlighting ~~underlining~~ the key problem facing the Iraq Petroleum Company, namely the willingness and ability of the present regime to reach an overall settlement and to make it stick, (paragraph 2 of my telegram No. 389). A great deal, perhaps too much for comfort, seems to depend on Takriti, whose position in your and Pachachi's view is by no means sure, in particular as regards ~~dominant. More knowledge of~~ his standing with the Ba'athist party as well as the Government ~~would~~ clearly be valuable.

3. Sutcliffe of BP, to whom we gave gist of Pachachi's comments in your paragraphs 3 and 5 commented that

/these

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~~largely~~

these to a great extent echoed on the one hand what Cutcliffe and MacDonald had already said to Takriti and on the other what members of the IPC had themselves said to Pachachi.)

4. Against this background and in view of the Iraqis' behaviour in the past the task of the IPC Groups in judging the best strategy, tactics and timing is unenviable. However frustrating inter-Group differences have been and no doubt will be again, the Groups' present hesitations and doubts are broadly ~~therefore~~ understandable. ~~Nevertheless~~ As far as we can judge, they all appreciate the need for an early approach of substance to the Iraqis and are giving serious thought to this at this moment. Whether they will decide on a piecemeal approach only or will also be prepared to propose an overall settlement if the climate seems right remains to be seen.

5. In this context the attitudes of the US companies are in no sense overriding. With reference to your paragraph 6, we have no evidence ~~here~~ that Mobil are being obstructive; indeed their attitude for some time has been ~~noticeably~~ ^{uncertainty} constructive in spite of the ~~doubts and hesitations~~ which they share with the other Groups. Jersey, although they have certainly been dog-in-the-manger, are now participating in seeking a common line. ~~But~~ Even if ~~they~~ ^{Jersey} were to shy off once again, they would not necessarily obstruct ~~an attempt~~ ^{seek to} ~~the others~~ ^{at a settlement}, although as in 1965 (over the Baghdad Oil Company project) they might not wish to associate themselves directly with every element of an overall settlement. ~~In fact~~ ^{the} ~~it is at least~~ debatable whether, under the tangled IPC 'constitution',

Jersey

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Jersey could effectively obstruct a ~~settlement~~ ^{course of action} backed by the other member companies. The question of the other companies buying the Americans out does not therefore arise. Even assuming that this were the prior condition of a settlement, it would not only raise serious ~~questions~~ ^{problems} going beyond Iraq, but would still leave the rest of the IPC Groups faced with the problems of dealing with a regime, the negotiability and durability of which are ~~questionable~~ on all available evidence seem far from certain.

W

1911

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Commendhi Oli

YTC/1

TELEGRAM SECTION
Room 124 K.C.S
Communications Department

Copy/ies of the following telegram has/ have been sent

439 1. Baghdad

TO:

Long Oli dsm +
Oli dsm

(Signed)
(Department)
(Date)

Action taken in Communications Department:

(Initials)

(Date) 12/1

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THE APPROPRIATE ARCHIVES DIVISION FOR RETENTION

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MC

ECO TELEGRAM NO. 439 OF 21 NOVEMBER 1968 TO BAGHDAD

Iraq Oil/

FIRST PARAGRAPH, LINE 1. FOR "INFORMATION" READ
"INFORMAL".

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COMMUNICATIONS DEPARTMENT

22 NOVEMBER, 1968

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TYPER/CAT A AND BY BAG

PRIORITY FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 439

TO BAGHDAD

21 NOVEMBER 1968.
(C. & O.D.)

RECEIVED IN
ARCHIVES No 45
25 NOV 1968

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ADDRESSED TO BAGHDAD TELNO 439 OF 21 NOVEMBER REPEATED FOR INFORMATION SAYING TO PARIS TEHRAN WASHINGTON.

MY TELEGRAM NO 438 OF 19 NOVEMBER: IRAQ OIL. — (29)

INFORMAL.

FOLLOWING THEIR INFORMATION CONSULTATIONS OVER THE LAST FEW WEEKS THE IRAQ PETROLEUM COMPANY GROUPS HAVE NOW REACHED A CONSENSUS ON THE LINE TO BE TAKEN WITH THE IRAQI REGIME.

2. THE BROAD AIM IS AN OVERALL SETTLEMENT. BUT FIRST OF ALL SOUNDINGS ARE TO BE MADE BY THE I P C'S BAGHDAD REPRESENTATIVES OF THE ATTITUDES OF KEY PEOPLE IN THE PARTY/GOVERNMENT COMPLEX. SOME NAMES THAT HAVE BEEN MENTIONED BY I P C SOURCES ARE SHEIKHLY (FOREIGN MINISTER), SADDAM TAKRITI (REGIONAL SECRETARY-GENERAL OF THE PARTY), AMHASH (MINISTER OF THE INTERIOR) AS WELL AS GENERAL HARDAN TAKRITI HIMSELF, WHO SOME MEMBERS OF I P C CONSIDER TO BE OF LOWER STANDING IN THE PARTY THAN THE OTHER THREE. THIS IS, OF COURSE, A DIFFERENT MATTER FROM ANY ASSESSMENT WHICH MIGHT BE MADE OF HARDAN TAKRITI'S STANDING IN THE COUNTRY GENERALLY.) THE AIM OF THESE SOUNDINGS WILL BE TO DETERMINE WHETHER THE PRESENT EFFECTIVE RULERS OF IRAQ ARE SERIOUSLY PREPARED TO REACH AN OVERALL SETTLEMENT. THE I P C'S IDEA IS TO APPROACH SUCH A SETTLEMENT IN STAGES. THE FIRST STAGE WOULD BE AS RAPID A NEGOTIATION AS POSSIBLE OF A LIST OF PRINCIPLES OR HEADS OF AGREEMENT, 'RATIFICATION' OF WHICH BY THE IRAQ GOVERNMENT WOULD BE MATCHED BY THE I P C WITH AN IMMEDIATE DOWNPAYMENT OF, SAY, 25 MILLION POUNDS STERLING. (THIS WOULD LEAVE PERHAPS 40 TO 50 MILLION POUNDS STERLING FOR THE I P C STILL TO PLAY WITH.)

3. THE NEXT STAGE WOULD BE A START TO PRACTICAL IMPLEMENTATION OF THE HEADS OF AGREEMENT (E G RESUMED EXPLORATION AND OILFIELD DEVELOPMENT) CONCURRENT WITH NEGOTIATION OF DETAILED TEXTS ELABORATING THE HEADS OF AGREEMENT. THE I P C RECOGNISE THAT THIS LATTER PROCESS WOULD

/ALMOST

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ALMOST CERTAINLY LEAD TO A LOT OF DIFFICULT BARGAINING, BUT FEEL THAT THIS WOULD BE WELL WORTH FACING ONCE THE KEY BREAK-THROUGH HAD BEEN ACHIEVED IN THE SHAPE OF A SETTLEMENT IN PRINCIPLE AND OF RESUMED GROWTH OF I P C ACTIVITY IN 'MORE NORMAL' CONDITIONS. FURTHER LUMP-SUM PAYMENTS WOULD BE MADE ON THE BASIS OF SATISFACTORY PROGRESS IN THE DETAILED NEGOTIATION.

4. IN THE COURSE OF THE PRELIMINARY SOUNDINGS OF KEY MEN IT IS APPARENTLY NOT (REPEAT NOT) INTENDED THAT THE SHAPE OF A POSSIBLE OVERALL SETTLEMENT SHOULD BE MOOTED BY THE I P C SIDE IN ANY DETAIL. IF THE RESULT OF THE SOUNDINGS IS BROADLY FAVOURABLE, THE INTENTION IS TO STRIKE WHILST THE IRON IS HOT BY SENDING OUT A SMALL TEAM (PROBABLY SUTCLIFF AND MACDONALD AGAIN) WITH A VIEW TO RAPID NEGOTIATION OF HEADS OF AGREEMENT. ON PRESENT FORM THE TEAM WOULD ARRIVE IN EARLY DECEMBER. IF THE RESULT OF THE SOUNDINGS IS UNFAVOURABLE, THE TEAM WOULD STILL COME OUT, BUT WITH THE MORE LIMITED AIM OF SEEKING PIECemeAL AGREEMENT(S) LINKED TO SMALLER LUMP-SUM PAYMENTS(S). THERE ARE A NUMBER OF QUITE IMPORTANT ISSUES WHICH THE I P C COULD SEEK TO CLEAR UP IN THIS WAY. THEY LARGELY COVER QUESTIONS OF OPERATING BOUNDARIES. CASES IN POINT ARE A NUMBER OF PROMISING STRUCTURES IN THE NORTH AND A KNOWN EXTENSION OF THE AIN ZALAH FIELD, ALL AT PRESENT IN THE TERRITORY WHICH THE IRAQIS PURPORT TO HAVE TAKEN OVER UNDER THEIR EXPROPRIATORY LEGISLATION. AIN ZALAH COULD BE A USEFUL TEST CASE SINCE IT PROVIDES SOMETHING OF A PARALLEL TO NORTH RUMAILA WITHOUT THE SYMBOLIC OVERTONES OF THE LATTER.

5. AS SET OUT, THE ABOVE COULD MISLEADINGLY SUGGEST THAT A PLAN OF CAMPAIGN HAS BEEN WORKED OUT IN EVERY DETAIL. IN FACT THERE ARE A NUMBER OF CONTINGENCIES WHICH CANNOT BE ADEQUATELY PROVIDED FOR IN ADVANCE, BUT IT IS HOPED THAT THE PERSONS ENGAGED IN THE SOUNDING OPERATIONS AND THE EVENTUAL NEGOTIATIONS WILL BE ALLOWED REASONABLE DISCRETION. THE WHOLE PROCESS WILL OBVIOUSLY CALL FOR DELICATE HANDLING AND DIFFICULT DECISIONS, BUT THE GENERAL LINE DEMONSTRATES A SERIOUSNESS AND FLEXIBILITY OF APPROACH BY I P C WHICH PROMISES WELL IF THE IRAQI SIDE SHOWS REAL SIGNS OF WILLINGNESS AND ABILITY TO SETTLE MATTERS ACROSS THE BOARD. EVEN ASSUMING SUCH AN IRAQI

/ATTITUDE

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FCO TELEGRAM NO.439 TO BAGHDAD

-3-

ATTITUDE, THE QUESTION OF THE DURABILITY OF A SETTLEMENT REMAINS, BUT THE I P C'S IDEAS HAVE A DEGREE OF INSURANCE BUILT INTO THEM THROUGH THE PROPOSED STAGGERING OF PAYMENTS 'BY RESULTS'.

6. ON THE GENERAL ISSUES OF THE NEGOTIABILITY AND DURABILITY OF AN OVERALL SETTLEMENT DAWNER OF C F P HAS IN THE FOLLOWING PRIVATE COMMENTS THROWN LIGHT ON SOME OF THE THINKING BEHIND THE I P C APPROACH:-

.. (I) THE PRESENT IRAQI REGIME IS A GANG OF FASCIST-TYPE THUGS WHO SEEM DETERMINED TO DEFEND THEIR ACQUIRED POSITIONS BY SUPPRESSING ANY OPPOSITION WITH UTTER RUTHLESSNESS. CONSEQUENTLY, HOWEVER MORALLY DISTASTEFUL DEALING WITH THEM MIGHT BE, THEY MAY BE JUST THE SORT OF PEOPLE TO SHOW THE WILL AND CAPACITY TO REACH AN OVERALL SETTLEMENT AND TO IMPOSE IT POLITICALLY.

(II) AS REGARDS THE DURABILITY OF THE REGIME AND THE STABILITY OF ANY SETTLEMENT, ANYONE KNOWING IRAQ WOULD BE STUPID TO BE SANGUINE, BUT IF THE I P C CAN REACH THE STAGE OF RESUMING SOMETHING LIKE 'BUSINESS AS USUAL', THERE'S MIGHT BE SOME HOPE THAT A SUCCESSOR REGIME WOULD NOT WISH TO UPSET THINGS COMPLETELY ONCE AGAIN AND THEREBY TO SAP THE FINANCIAL BASE FOR ITS OWN VIABILITY.

7. THE ABOVE INFORMATION IS NOT NECESSARILY COMPLETE. IT HAS BEEN OBTAINED, INDEED ALMOST EXTRACTED, ON THE BASIS OF CLOSE PERSONAL CONFIDENCE. THE I P C ARE UNDERSTANDABLY ANXIOUS THAT THERE SHOULD BE NO LEAK OF ANY KIND. YOU AND OTHER RECIPIENTS ARE THEREFORE ASKED TO TREAT ALL THE ABOVE AS STRICTLY FOR YOUR OWN INFORMATION ONLY. IF, AS IS LIKELY, HAHN SHOULD TAKE YOU INTO HIS CONFIDENCE, YOU SHOULD NOT REVEAL OUR DETAILED KNOWLEDGE AND SHOULD CONFINE YOURSELF TO SAYING THAT YOU HAD HEARD FROM US ONLY IN VERY GENERAL TERMS TO THE EFFECT THAT SOME FURTHER SOUNDINGS OF THE GROUND WAS TO BE CARRIED OUT PRIOR TO AN EARLY VISIT BY A NEGOTIATING TEAM.

STEWART

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Secret	
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Restricted	JTF
Unclassified	21/11

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<i>En Clair.</i> <i>Code</i> <i>Cypher</i>

Draft Telegram to:—
~~BAGHDAD~~
No. 439
(Date) 21/11

And to:—

Repeat to:—

Saving to:—
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~~THE HAGUE~~
~~PARIS~~
~~TEHRAN~~
~~WASHINGTON~~

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Departmental
C. & O. Dept.
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Min of Power.
F. P. B. Derrick,
Treasury.
R. I. Hallowes,
Bank of England.

(Date) 22/11

Despatched 02352

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[Security classification—if any] CONFIDENTIAL

[Privacy marking—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. 439, (date) 21 November

And to:

repeated for information

Saving to: ~~DETROIT~~ ~~THE HAGUE~~ PARIS TEHRAN WASHINGTON

My telegram No. 430 [19 November]: Iraq Oil.

Following their informal consultations over the last few weeks the Iraq Petroleum Company Groups have now reached a consensus on the line to be taken with the Iraqi régime.

2. The broad aim is an overall settlement. But first of all soundings are to be made by the IPC's Baghdad representatives of the attitudes of key people in the Party/Government complex. Some names that have been mentioned by IPC sources are Sheikhly (Foreign Minister), Saddam Takriti (Regional Secretary-General of the Party), Ammash (Minister of the Interior) as well as General Hardan Takriti himself, who some members of IPC consider to be of lower standing than the other three. in the party. This is, of course, a different matter from any assessment which might be made of Hardan Takriti's standing in the country generally.

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generally.) The aim of these soundings will be to determine whether the present effective rulers of Iraq are seriously prepared to reach an overall settlement in stages. The first stage would be as rapid a negotiation as possible of a list of principles or Heads of Agreement, 'ratification' of which by the Iraq Government would be matched by the IPC with an immediate downpayment of, say, £25 million. (This would leave ^{perhaps} £40 to 50 million for the IPC still to play with.)

The IPC's idea
is to approach
such a settlement

3. The next stage would be a quick start to practical implementation of the Heads of Agreement (e.g. resumed exploration and oilfield development) concurrent with negotiation of detailed texts elaborating the Heads of Agreement. The IPC recognise that this latter process would almost certainly lead to a lot of difficult bargaining, and bickering, but feel that this would be well worth facing once the key breakthrough had been achieved in the shape of a settlement in principle and of resumed growth of IPC activity in 'more normal' conditions. Further lump-sum payments would be made on the basis of satisfactory progress in the detailed negotiation.

4. In the course of the preliminary soundings of key men it is apparently not (repeat not) intended that the shape of a possible overall settlement should be mooted by the IPC side in any detail. If the result of the soundings is ^{broadly} favourable, the intention is to strike whilst the iron is hot by sending out a small team (probably Sutcliffe and MacDonald again) with a view to rapid negotiation of Heads of Agreement. On present form the team would arrive in early December.

/If

(8430) Dd.033246 600m 9/66 G.W.B.Ltd. ~~CONFIDENTIAL~~

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If the result of the soundings is unfavourable, the team would still come out, but with the more limited aim of seeking piecemeal agreement(s) linked to smaller lump-sum payment(s). There are a number of quite important issues which the IPC could seek to clear up in this way. They largely cover questions of operating boundaries. ~~affected by the Iraqis' expropriatory legislation.~~ Cases in point are a number of promising structures in the North and a known extension of the Ain Zalah field, all at present in the territory which the Iraqis purport to have taken over under ~~that~~ legislation. Ain Zalah could be a ~~particular~~ useful test case since it provides something of a parallel to North Rumaila without the symbolic overtones of the latter.

5. ~~The preliminary soundings may not produce a sufficiently clearcut result one way or the other, in which case the visiting team may have to make further soundings before entering into negotiation proper.~~

6. As set out, the above could misleadingly suggest that a plan of campaign has been worked out in every detail. In fact there are a number of contingencies which cannot be adequately provided for in advance, but it is hoped that the persons ~~to be~~ engaged in the sounding operations and the eventual negotiations will be allowed reasonable discretion. The whole process will obviously call for delicate handling and difficult decisions, ~~at various stages~~, but the general line demonstrates a seriousness and

/flexibility

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flexibility of approach by IPC which promises well if the Iraqi side shows real signs of willingness and ability to settle matters across the board.

Even assuming such an Iraqi attitude, the question of the durability of a settlement remains, but the IPC's ideas have a degree of insurance built into them through the proposed staggering of payments 'by results'.

6. On the general issues of the negotiability and durability of an overall settlement Danner of CFP has ~~commented privately on the following lines:-~~

(i) the present Iraqi regime ~~consists of~~ ^{is} a gang of fascist-type thugs who seem determined to defend their acquired positions by suppressing any opposition with utter ruthlessness, ~~and, therefore,~~ ^{Consequently,} however morally distasteful dealing with them might be, they may be just the sort of people to show the will and capacity to reach an ^{overall} settlement ~~of this intractable dispute~~ and to impose it politically.

(ii) As regards the durability of the régime and with it, the stability of any settlement, anyone knowing Iraq would be stupid to be oversanguine, but if the IPC can reach the stage of resuming something like 'business as usual', there might be some hope that a successor régime would not wish to upset things completely once again and thereby to sap the financial base for its own viability.

7. The above information is not necessarily complete. It has been obtained, indeed almost extracted, on the basis of close personal confidence. The

in the following private comments throw light on some of the thinking behind the IPC approach:-

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IPC ^{are} understandably anxious that there should be no leak of any kind. You and other recipients are therefore asked to treat all the above as strictly for your own information only. If, as is likely, Hahn should take you into his confidence, you should not reveal our detailed knowledge and should confine yourself to saying that you had heard from us only in very general terms to the effect that some further sounding of the ground was to be carried out prior to ~~an~~ ^{any} early visit by a negotiating team.

4

24/11

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PRIORITY BAGHDAD

TO COMMONWEALTH OFFICE

TELEGRAM NUMBER 446

23 NOVEMBER 1968

(31)

RECEIVED IN
ARCHIVES No 45
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MEP 359/1

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ADDRESSED TO F C O TELEGRAM NO. 446 OF 23 NOVEMBER, REPEATED FOR INFORMATION TO WASHINGTON, AND SAVING TO BEIRUT, THE HAGUE, PARIS, AND TEHRAN.

IRAQ OIL

ROAD TOLD ME THAT HE WAS SUMMONED ON 21 NOVEMBER BY THE UNDER SECRETARY IN THE MINISTRY OF OIL AND ASKED WHETHER THE COMPANY WOULD CONSIDER POSTPONING THE DATE ON WHICH THE REMAINING £8 MILLION FROM THE £14 MILLION LOAN MADE IN 1967 IS DUE.

ROAD NOTED THE REQUEST BUT HE TOLD ME THAT THE COMPANY HAD ALREADY BEEN CONSIDERING THE POSSIBILITY OF DOING THIS UNILATERALLY AS AN ACT OF GOODWILL TO IMPROVE THE ATMOSPHERE.

[REPEATED TO ALL ADDRESSEES]

MR. EVANS

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ROUTINE BAGHDAD

TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 449

25 NOVEMBER 1968

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26 NOV 1968

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ADDRESSED TO FCO TELEGRAM NO 449 OF 25 NOVEMBER
REPEATED FOR INFORMATION SAVING TO PARIS TEHRAN AND
WASHINGTON.

YOUR TELEGRAM NO 439 : IRAQI OIL.

30

HAHN RETURNED ON 22 NOVEMBER AND HE AND ROAD CALLED

ON ME THE NEXT DAY.

2. HE CONFIRMED THAT HE WAS UNDER INSTRUCTIONS
TO TAKE SOUNDINGS BUT SAID THAT IMPORTANT THING WAS
THAT NEGOTIATIONS SHOULD BE STARTED AS SOON AS POSSIBLE.
THERE WAS A CHANCE NOW OF DOING BUSINESS WITH MODERATES BUT
IF OPPORTUNITY WAS LOST EXTREMISTS WOULD TAKE OVER. FAIL
URE TO COME TO TERMS WITH SYRIANS WHICH HAD RESULTED
IN CLOSING OF PIPELINE HAD STRENGTHENED ZA, AYEN AND
HAD KEPT HIM IN POWER FOR NEARLY TWO YEARS.

3. ROAD COMMENTED ON WHAT HE CALLED THE VERY CONSIDER
ABLE CHANGE OF ATTITUDE ON PART OF SHARE
HOLDERS DURING PAST FEW MONTHS. THEY HAD COME TO REAL
ISE THAT IRAQ MIGHT IN FUTURE SET TONE IN MID
DLE EAST AND THAT IF THINGS WENT WRONG HERE, OTHER OIL PROD-
UCING COUNTRIES IN AREA MIGHT FOLLOW SUIT AND RESORT TO
EXTREME MEASURES.

/4. IRAQI

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-2-

4. IRAQI MINISTER OF FOREIGN AFFAIRS ON WHOM MY COMMERCIAL COUNSELLOR AND I CALLED ON 23 NOVEMBER, GAVE IMPRESSION THAT HE WAS GENUINELY ANXIOUS TO SEE A SETTLEMENT, WHICH HE SAID COULD ONLY BE OF BENEFIT TO COMPANY. HE MENTIONED ROYAL[SIC] EXPENSING BUT NOTHING NEW OR SPECIFIC EMERGED. I TOLD HAHN, WHO SAID THAT HE WOULD KEEP ME INFORMED OF HIS OWN SOURCINGS.

ECO PAGS SAVING TO PARIS TEHRAN AND WASHINGTON.
MR. EVANS

[REPEATED AS REQUESTED]

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28 NOV 1968

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~~No~~ ~~Leasley~~ Thank you.

W
27/11

You asked for information on Sadoun
Hamadeh the new president of INOC.

2. Mr. Makinson has given me the following:

Mr Hamadeh took a degree at Wisconsin State University in 1957. He has since been a journalist (on Goumhouriya) and a specialist in agrarian reform - the two jobs separated by a spell in prison in Qasim's time.

He is a "theoretical Ba'athist" - an ideologue rather than a public figure, but this did not prevent his being in the thick of at least one assassination plot against Qasim (unsuccessful on that occasion).

Verdict.

Hamadeh's appointment almost certainly unhelpful.

1. ²⁸
Mr. ~~Wright~~ ^{28/11} } may care
Mr. ~~Wright~~ ^{28/11} } to see.

Mr. ~~Wright~~ ^{26/11}

2. Enter Iraq oil file. Confidential

P.A. ^{28/11}

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27 NOV 1968
mcp 359/1

34

PRIORITY BAGHDAD
TELEGRAM NUMBER 452

TO FOREIGN AND COMMONWEALTH OFFICE
26 NOVEMBER 1968

CONFIDENTIAL

ADDRESSED TO FCO TELNO 452 OF 26 NOVEMBER REPEATED FOR INFORMATION
SAVING TO WASHINGTON PARIS THE HAGUE BEIRUT AND TEHRAN.

MY TELEGRAM NO 449 IRAQI OIL. *32*

I WAS RECEIVED BY THE IRAQI PRESIDENT YESTERDAY MORNING.
MY ORIGINAL PURPOSE IN ASKING TO SEE HIM HAD BEEN TO DISCUSS
THE CASE OF AN ARRESTED BRITISH SUBJECT - PLEASE SEE MY TELEGRAM
NO 450. I TOOK THE OPPORTUNITY OF INTRODUCING MY COMMERCIAL
COUNSELLOR AND ALSO REVIEWING IN A GENERAL WAY THE STATE OF
ANGLO/IRAQI RELATIONS, GUIDING HIM OUT AS I HAD PREVIOUSLY
DONE THE MINISTER OF FOREIGN AFFAIRS - PLEASE SEE PARA 4
OF MY TEL NO 449.

2. PRESIDENT BAKR SAID HE WAS PESSIMISTIC AND SPOKE OF THE
COMPANY IN A SCATHING MANNER. THE PROSPECT OF THE FORTH-
COMING VISIT OF SHAREHOLDER'S REPRESENTATIVES RAISED NO
SPARK IN HIM. HE SAID THE COMPANY HAD NEVER LEARNED FROM
HISTORY AND THEIR ATTITUDE DROVE PEOPLE TO TAKE MEASURES WHICH
WERE NOT IN THE GENERAL INTEREST? THEY HAD NOT, IT SEEMED,
PROFITED BY THE LESSONS OF LAJS (SIC) NOS 80 AND 97. THEY HAD
FAILED TO RECOGNISE IRAQ'S RIGHTS AND WERE DEPRIVING HER OF
ROYALTY EXPENSING PAYMENTS WHICH WERE BEING PAID TO OTHER
COUNTRIES, GENERALLY BEHAVING LIKE QUOTE THE LORD OF HEAVEN
AND EARTH UNQUOTE. IRAQ WOULD NOT TOLERATE ANY BARGAINING
IN THE MATTER OF THESE PAYMENTS, WHICH WERE HER DUE.

3. IF THE COMPANY HAD OFFERED A FEW YEARS AGO TO HELP THE
IRAQI NATIONAL OIL COMPANY TO PRODUCE AND SELL ITS OIL THEY
WOULD HAVE RECEIVED THE THANKS OF THE IRAQI PEOPLE. IF THE

/COMPANY

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The gist of this tel. was passed
to the IPC (to Darley) by her
earlier. To Darley was told the
information could be passed on to
shareholding companies on a confidential
basis if he wished.

p.a. *JW*
28/11

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- 2 -

COMPANY CAME NOW WITH THE GREETING QUOTE PEACE BE UNTO YOU UNQUOTE, THE REPLY OF THE IRAQI PEOPLE WOULD BE QUOTE GO IN PEACE UNQUOTE. AT ONE POINT HE SAID, HALF SERIOUSLY, THAT THE REASON THE IRAQI GOVERNMENT WERE CONCENTRATING ON AGRICULTURE IN THE FUTURE WAS THAT OIL HAD FAILED THEM. THEY WOULD, IF NECESSARY, WORK WITH THEIR BARE HANDS.

4. WHEN I MENTIONED THAT I UNDERSTOOD THAT THE COMPANY'S CHIEF REPRESENTATIVE IN BAGHDAD, HAHN, HAD ASKED TO SEE HIM, ADDING THAT I HOPED HE WOULD BE ABLE TO FIT THIS IN (HAHN HAD ASKED ME TO DO THIS), THE PRESIDENT WAS UNRESPONSIVE.

I DO NOT EXCLUDE THE POSSIBILITY THAT HE WILL RECEIVE HAHN. NEVERTHELESS, HE LEFT MY COMMERCIAL COUNSELLOR AND MYSELF WITH AN UNEASY FEELING THAT SOME DECISION DETRIMENTAL TO THE COMPANY MIGHT ALREADY HAVE BEEN TAKEN, AT LEAST ON A CONTINGENCY BASIS.

5. THE ONLY MODERATELY BRIGHT POINTS IN THE INTERVIEW WERE THAT THE PRESIDENT DID SAY THAT THE IRAQIS DID NOT WANT TROUBLE AND HE SUGGESTED THAT THE COMPANY MIGHT SETTLE ISSUES ONE BY ONE INSTEAD OF INSISTING , AS THEY HAD DONE IN THE PAST, ON A PACKAGE SETTLEMENT.

6. I CONFINED MYSELF TO TRYING TO DISPEL SOME OF THE GLOOM. ALTHOUGH THE INTERVIEW ENDED ON QUITE A CHEERFUL NOTE, THERE WAS NO JOY WHEN THE PRESIDENT WAS TALKING ABOUT OIL.

7. PRESIDENT BAKR GAVE US THE IMPRESSION OF BEING EXTREMELY TIRED. THIS MAY TO SOME EXTENT BE ATTRIBUTABLE TO THE EARLY DAYS OF THE RAMADAHN FAST. BUT I FEAR THERE WAS GENERAL DISAPPOINTMENT IN HIM AT HIS GOVERNMENT'S LACK OF PROGRESS, TO SAY THE LEAST, DURING THE PAST TWO MONTHS.

FCO PASS SVG TO WASHINGTON, PARIS, THE HAGUE, BEIRUT AND TEHRAN

MR EVANS.

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WITH 35

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Version of Baghdad to FCO

u. 461 of 27 Nov. as

Message dated 27 November passed in confidence to Mr.
Darley, IPC.

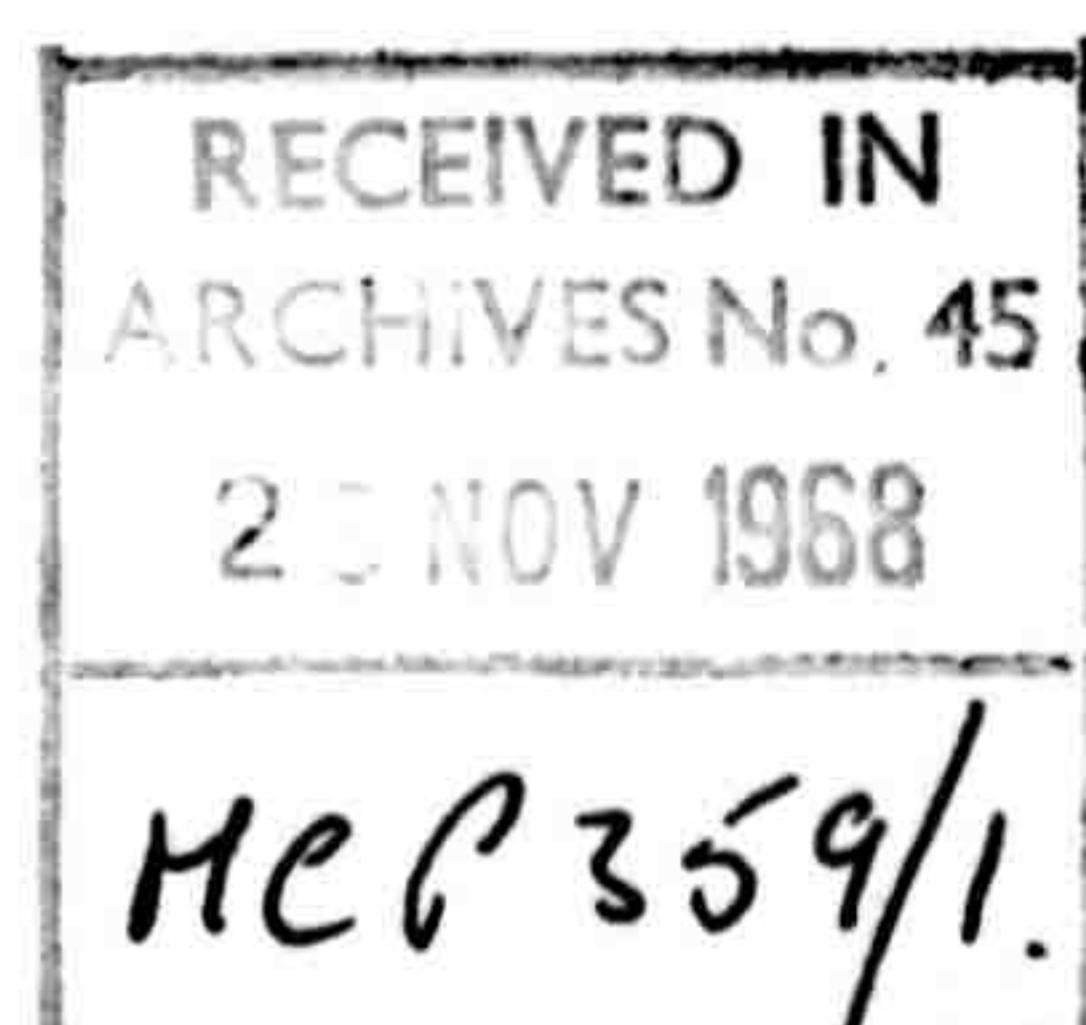
We passed gist of my previous message to Road, who ~~plus~~ and
thought Bakr's gloom might be attributable to his having
lost ground in struggle between moderates and extremists
within party. Any decision that ~~might~~ have been taken
might relate to internal politics of party rather than
directly to IPC's interests. Road thought that Takriti's
approaches, for example, the one when Butcliffe and
MacDonald were last here, might have been a call for a
lifeline which had only been made available in time.

Weakening of Takriti's position was possibly
reflected in his remark quote too late unquote when
I introduced my newly arrived Defence Attaché at a recep-
tion on 23 November. He only spoke briefly and it was not
at time clear that his remark should be taken literally.
As you are, however, no doubt aware from monitoring
services, in immediately preceding days Takriti was attacked
in Syrian press for his part in events that led to overthrow
of Baath in 1963. This campaign mounted perhaps by party
rather than government may well be an indication of a belief
there that Takriti has lost out or, alternatively, was
intended to embarrass him further. The comparative optimism
shown by Minister of Foreign Affairs, who when I saw him a
few days ago gave the impression of being genuinely anxious
to see a settlement of IPC dispute, is in marked contrast
with President Bakr's gloom and may confirm change in relative
positions of competing factions.

If Bakr and Takriti have in fact lost ground to party
boys, it must put quote paid unquote to Hahn's hope expressed
recently that there was a chance of doing business with the
moderates. This does not necessarily mean, of course, that
company should not press on. They would in that event not
have to contend with disadvantage inherent in any negotiation
with moderates, unless they were completely in control, that
they would be looking over their shoulders to more extreme
elements.

Hahn and Road yesterday saw recently appointed Under-
Secretary at Ministry of Foreign Affairs (a Baathist who was
until recently in charge of Iraqi interests in Bonn, is a
moderate man and was once employed for a short time by IPC).
Interview, which was friendly, ended with an appeal made as
Hahn and Road were leaving quote go easy with them unquote.
Remark is Delphic in extreme and all that can be said for the
moment is that there is no doubt that it was well meant. Hahn
is seeing Minister of Foreign Affairs himself tomorrow.

Situation is, I fear, confusing and we are at present
left guessing. I hope to see Takriti myself shortly to
introduce ~~formally~~ my Defence Attaché. In light of what
he and also General Ammash, whom I have also asked to see,
will have to say, I hope to be able to comment more adequately
on stability and negotiability of regime.



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36

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PRIORITY BAGHDAD
TELEGRAM NUMBER 461 TO FOREIGN AND COMMONWEALTH OFFICE
28 NOVEMBER 1968.

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ADDRESSED TO FCO TELEGRAM NO 461 OF 27 NOVEMBER
REPEATED FOR INFORMATION SAVING TO WASHINGTON PARIS BEIRUT
TEHRAN AND THE HAGUE.

MY TELEGRAM 452: IRAQI OIL.

34

WE PASSED GIST TO ROAD, WHO THOUGHT BAKR'S GLOOM
MIGHT BE ATTRIBUTABLE TO HIS HAVING LOST GROUND IN STRUGGLE
BETWEEN MODERATES AND EXTREMISTS WITHIN PARTY. ANY DECISION THAT
MIGHT HAVE BEEN TAKEN MIGHT RELATE TO INTERNAL POLITICS OF PARTY
RATHER THAN DIRECTLY TO IPC'S INTERESTS. ROAD THOUGHT THAT
TAKRITI'S APPROACHES, FOR EXAMPLE THAT REPORTED IN MY TELEGRAM
NO 342, MIGHT HAVE BEEN A CALL FOR A LIFELINE WHICH HAD ONLY
BEEN MADE AVAILABLE IN TIME.

2. WEAKENING OF TAKRITI'S POSITION WAS POSSIBLY REFLECTED IN
HIS REMARK QUOTE TOO LATE UNQUOTE WHEN I INTRODUCED MY NEWLY
ARRIVED DA AT A RECEPTION ON 23 NOVEMBER. HE ONLY SPOKE BRIEFLY
AND IT WAS NOT AT THE TIME CLEAR THAT HIS REMARK SHOULD BE TAKEN
LITERALLY. AS YOU ARE, HOWEVER, NO DOUBT AWARE FROM MONITORING
SERVICES, IN IMMEDIATELY PRECEDING DAYS TAKRITI WAS ATTACKED IN
SYRIAN PRESS FOR HIS PART IN EVENTS THAT LED TO OVERTHROW OF
BAATH IN 1963. THIS CAMPAIGN MOUNTED PERHAPS BY PARTY RATHER THAN
GOVERNMENT MAY WELL BE AN INDICATION OF A BELIEF THERE THAT
TAKRITI HAS LOST OUT OR, ALTERNATIVELY, WAS INTENDED TO EMBARRASS
HIM FURTHER.

3. THE COMPARATIVE OPTIMISM SHOWN BY MINISTER OF FOREIGN
AFFAIRS AND REPORTED IN PARA 4 OF MY TELEGRAM NO 449 IS IN MARKED
CONTRAST WITH PRESIDENT BAKR'S GLOOM AND MAY CONFIRM CHANGE IN
RELATIVE POSITIONS OF COMPETING FACTIONS.

32

14.

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-2-

4. IF BAKR AND TAKRITI HAVE IN FACT LOST GROUND TO PARTY BOY, IT MUST PUT QUOTE PAID UNQUOTE TO HAHN'S THEORY THAT IN ANY NEGOTIATIONS COMPANY WOULD BE DEALING WITH MODERATES SEE MY TELEGRAM NO 449. THIS DOES NOT NECESSARILY MEAN, OF COURSE, THAT THEY SHOULD NOT PRESS ON. THEY WOULD IN THAT EVENT NOT HAVE TO CONTEND WITH DISADVANTAGE INHERENT IN ANY NEGOTIATION WITH MODERATES UNLESS THEY WERE COMPLETELY IN CONTROL, (GP OMITTED) THAT THEY WOULD BE LOOKING OVER THEIR SHOULDERS TO MORE EXTREME ELEMENTS.

5. HAHN AND ROAD YESTERDAY SAW RECENTLY APPOINTED UNDER SECRETARY AT MINISTRY OF FOREIGN AFFAIRS (A BAATHIST WHO WAS UNTIL RECENTLY IN CHARGE OF IRAQI INTERESTS IN BONN, IS A MODERATE MAN AND WAS ONCE EMPLOYED FOR A SHORT TIME BY IPC). INTERVIEW, WHICH WAS FRIENDLY, ENDED WITH AN APPEAL MADE AS HAHN AND ROAD WERE LEAVING QUOTE GO EASY WITH THEM UNQUOTE. REMARK IS DELPHIC IN EXTREME AND ALL THAT CAN BE SAID FOR MOMENT IS THAT THERE IS NO DOUBT THAT IT WAS WELL MEANT. HAHN IS SEEING MINISTER OF FOREIGN AFFAIRS HIMSELF TOMORROW.

6. SITUATION IS, I FEAR, CONFUSING AND WE ARE AT PRESENT LEFT GUESSING. I HOPE TO SEE TAKRITI MYSELF SHORTLY TO INTRODUCE FORMALLY MY DA. IN LIGHT OF WHAT HE AND ALSO GENERAL AMMASH, WHOM I HAVE ALSO ASKED TO SEE, WILL HAVE TO SAY, I HOPE TO BE ABLE TO COMMENT MORE ADEQUATELY ON STABILITY AND NEGOTIABILITY OF REGIME.

FCO PASS SAVING TO WASHINGTON PARIS BEIRUT TEHRAN AND THE HAGUE

MR EVANS.

[REPEATED AS REQUESTED]

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PRIORITY BAGHDAD

TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 468

29 NOVEMBER 1968

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ADDRESSED TO FCO TELNO. 468 OF 29 NOVEMBER REPEATED FOR
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35 MY TELNO. 461 : IRAQI OIL.

THE GENERAL PICTURE HERE REMAINS CONFUSING AND MANY
IRAQIS ANTICIPATE SOME CONFRONTATION BETWEEN THE BA'ATH
PARTY AND THE ARMY WITHIN THE NEXT FEW DAYS. THE REASONING
BEHIND THIS IS THAT IF TIKRITI ALLOWS EXTREME BA'ATHI
ELEMENTS TO OBTAIN TOO STRONG A POSITION, HIS OWN STANDING
AND HOLD OVER THE ARMED FORCES MAY BE ERODED.

2. I HAVE NOT YET BEEN ABLE TO SEE TIKRITI- PERHAPS
BECAUSE HE DOES NOT WISH ME TO VISIT HIM IF THERE IS
REALLY SOMETHING IN THE WIND. BUT FOR WHAT IT IS WORTH,
HE GAVE HARDING OF MARCONI, WHO SAW HIM ON 26 AND
27 NOVEMBER IN CONNEXION WITH A CONTRACT, THE
IMPRESSION OF BEING PERFECTLY CONFIDENT AND READY TO
DO BUSINESS ON A LARGE SCALE WITH BRITISH FIRMS. HE SAID
THAT THE CONTRACT FOR THE SUPPLY OF MIRAGE AIRCRAFT
WAS DEFINITELY OFF

FCO. PLEASE PASS SAVING TO WASHINGTON, PARIS, TEHRAN
BEIRUT AND THE HAGUE

MR. EVANS

[REPEATED AS REQUESTED]

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PRIORITY BAGHDAD
TELEGRAM NUMBER 474

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30 NOVEMBER 1968

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ADDRESSED TO FCO TELEGRAM NO 474 OF 30 NOVEMBER REPEATED FOR INFORMATION SAVING TO WASHINGTON PARIS TEHRAN BEIRUT AND THE HAGUE.

36 MY TELEGRAM NO 468: IRAQI OIL.

HAHN AND ROAD SAW IRAQI MINISTER OF FOREIGN AFFAIRS ON 28 NOVEMBER. SHEIKHLY WAS RELAXED AND FRIENDLY. FOLLOWING POINTS EMERGED.

(I) SHEIKHLY SAID THAT HE WAS PERSONALLY STUDYING THE PAPERS IN CASE OF BANNISTER (CHIEF ENGINEER WHO WAS ORDERED TO LEAVE COUNTRY APPARENTLY ON SECURITY GROUNDS) AND SAID THAT HE WOULD LET THEM HAVE A DECISION WITHOUT DELAY.

31 (II) THE EXTENSION OF LOAN REPAYMENT PERIOD REQUESTED BY MINISTRY OF OIL AND REFERRED TO IN MY TELEGRAM NO 446 WOULD HAVE A VERY GOOD EFFECT. (COMPANY HAVE ALREADY AGREED TO EXTENSION AND HAHN HAS BEEN AUTHORISED TO INFORM IRAQI GOVERNMENT WHEN HE CONSIDERS TIME OPPORTUNE. HE HOPES TO SEE TAKRITI FIRST).

(III) SHEIKHLY SAID THAT HE FAVOURED MAXIMUM PERSONAL CONTACTS BETWEEN MEMBERS OF IRAQI GOVERNMENT AND COMPANY OFFICIALS.

(IV) SHEIKHLY SHOWED MUCH INTEREST IN EFFORTS BEING MADE BY IPC ON AN UNATTRIBUTABLE BASIS TO GIVE PUBLICITY TO ARAB CAUSE OVER PALESTINE.

2. HAHN AND ROAD ARE MUCH ENCOURAGED BY SHEIKHLY'S FRIENDLY ATTITUDE.

FCO PASS SAVING WASHINGTON PARIS TEHRAN BEIRUT AND THE HAGUE.

MR EVANS.

/REPEATED AS REQUESTED/

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ROUTINE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NO 474

TO BAGHDAD

3 DECEMBER 1968 (C.& O.D.)

37

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YOUR TELEGRAM NO 474 : IRAQI OIL.

WE ARE PUZZLED BY THE REFERENCE TO UNATTRIBUTABLE PUBLICITY IN
PARAGRAPH 1(IV) AND SHOULD BE GRATEFUL FOR ANY LIGHT YOU CAN CAST
ON THIS, WITHOUT REVEALING OUR INTEREST TO IPC REPRESENTATIVES IN
BAGHDAD.

STEWART

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- 5 DEC 1968

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FILE S:

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MR. HANCOCK
MR. GALLAGHER

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COMMODITIES & OIL DEPARTMENT

* Date and time (G.M.T.) telegram should reach addressee(s)

SECURITY CLASSIFICATION	PRIORITY MARKINGS
Top Secret Secret Confidential RHE Restricted Unclassified 3/12	Flash Immediate } * Priority Routine

(Date) 4/12

Despatched 4/27

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PRIVACY MARKING

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Code
Cypher CAT A

Draft Telegram to:—

BAGHDAD

No. 474

(Date) 3/12

And to:—

—

Repeat to:—

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Saving to:—

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[Codeword—if any]

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to

Your telegram no. 474 [of 30 November] : Iraqi Oil.

We are puzzled by the reference to unattributable publicity in paragraph 1(iv) and should be grateful for any light you can cast on this, without revealing our interest to IPC representatives in Baghdad.

EW 3/12

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17202
3/12/68

CYPHER/CAT A

ROUTINE BAGHDAD

TO FOREIGN AND COMMONWEALTH OFFICE

5 DECEMBER 1968

TELEGRAM NUMBER 502

(39)

[Auf Farnley]

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(37)

YOUR TELEGRAM NO 474: IRAQI OIL.

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- 6 DEC 1968
MCP35911

HAHN SHOWED THE IRAQI MINISTER OF FOREIGN ~~AP-64-503~~

~~7,42-07~~

~~REIGN AFFAIRS THE~~

UNRWA PUBLICATION "TWICE IN A LIFETIME", THE PRODUCTION
OF WHICH WAS FINANCED BY THE IPC. IT IS DISTRIBUTED BY THE
JORDANIAN AND ~~LEBAKSE~~^{NE} MINISTRIES OF FOREIGN AFFAIRS AMONG
OTHERS. THE IRAQI MINISTER OF FOREIGN AFFAIRS WAS IMPRESSED
AND SAID THAT HE WOULD BE GLAD TO RECEIVE COPIES AND TO DISTRIBUTE
THEM.

2. I UNDERSTAND THAT THE INITIATIVE WAS HAHN'S (WHEN HE
WAS IPC REPRESENTATIVE IN THE LEBANON) AND THAT HE IS ENCOUR-
AGING A SIMILAR EFFORT IN THE SAME FIELD. HE IS ALSO INTERESTED
IN THE WORK OF THE PALESTINE INSTITUTE IN BEIRUT WHICH OPERATES
ON THE LINES OF CHATHAM HOUSE BUT, OF COURSE, ON A ~~SMAL~~
SCALE.

Filer Xerox Toft 33.

Comm & Oil Dept. 7

Near East Dept 8

1 Mr Bates

1 Rm 129

3 AJR

Toft 1 Rm 1

EVANS

SENT AT 05/1445Z

RECD AT 05/1535Z

Mr. (R) 8

Mr. Arthur 8

Mr. Hancock 1

Sir A. Gelling 1

Mr. Comby 1



CONFIDENTIAL

MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: 01-222 7000 - Ext. 1081

40

Our reference:

4th December, 1968.

Your reference:

Can you and re-submit
to Mr. Ellingwood

12

7.2

P.G. Wallis, Esq.,
Commodities & Oil Dept.,
Foreign & Commonwealth Office,
Downing Street, S.W. 1.

Dear Peter,

Value of North Rumaila

RECEIVED IN	15
ARCHIVES	
- 6 DEC 1968	
MCP 359/1	

I promised John Weait that I'd write to him about the sum of money which it might be worth the IPC to pay for North Rumaila. It would be easiest to present this first in direct money terms and then weigh the imponderables.

Costs

2. On the costs side, I make the following assumptions :-

But it surely
isn't a disgrace?

(a) I.P.C. will make a down-payment (disguised as back taxes) of \$168 m. (see F.C.O. telegram 439 of 21st November to Baghdad) in year 0

(b) Investment costs would be \$5.6 per annual ton (IPC told me on the telephone in May 1967 that they'd be between £2-3 per annual ton. This seems high in comparison with Adelman's estimates of most costs in the Gulf but the need for a pipeline and new port would put costs above the average. So I have taken the lowest point in IBC's range). I assume the incidence of costs will be half in year 1 and half spread evenly over the next five years.

Returns

3. On the returns side, I make the following assumptions :-

(a) F.O.B. price is \$1.35 a barrel. The latest F.O.B. price for Iranian light to South America pre-crisis, is \$1.40 in spring 1967. The offer included buy-back provisions and the F.O.B. price of Persian Gulf crude is continuing to fall. I suspect that \$1.35 probably overstates the value of Gulf crude in the seventies to the limited arms-length market. It almost certainly overstates the value of crude in inter-affiliate transactions.

(b) Operating Costs will be :-

£ per ton

Host country take	2.7
Operating Costs	0.3
Headquarter services	0.2

3.3 = \$1.10 cents a barrel

4. The

Now see 43

4. The other points necessary to make a DCF estimate are -

(a) Timing of payments : I assume that production will build up to 25 m. tons over a period of 5 years starting in Year 2.

(b) Discount rate : quite honestly, I think only a mug would invest in North Rumaila during the present regime of "fascist thugs". But, to put the best face possible on it, I assume a 25% discount rate. I have also done the calculations on a 15% discount rate in case the problem arises again in a year or so under a more stable regime.

5. On these assumptions we have the following cash flow.

<u>Year</u>	<u>Outflow</u>	<u>Inflow</u>	<u>Net flow to IPC + from IPC -</u>	<u>Discounted at 25%</u>	<u>Discounted at 15%</u>
0	168	-	- 168	- 168	- 168
1	70 82.5	-	- 82.5 - 70	- 65.95 - 55.95	- 71.75 - 70 - 60.13
2	14 16.5	8.75	- 7.75 - 5.25	- 4.96 - 3.36	- 5.86 - 5.25 - 3.97
3	14 16.5	17.50	+ 1.00 + 3.5	+ 0.53 + 1.79	+ 0.66 + 2.5 + 2.30
4	14 16.5	25.75	+ 9.25 + 11.75	+ 3.79 + 4.81	+ 5.29 + 11.75 + 6.72
5	14 16.5	35.00	+ 18.5 + 21	+ 6.06 + 6.88	+ 9.20 + 21 + 10.44
6	14 16.5	43.75	+ 27.25 + 29.75	+ 8.95 + 9.61	+ 11.78 + 12.56
7	-	43.75	+ 43.75 "	+ 9.17	+ 16.44
8	-	43.75	+ 43.75 "	+ 7.34	+ 14.30
9	-	43.75	+ 43.75 "	+ 5.87	+ 12.42
10	-	43.75	+ 43.75 "	+ 4.70	+ 10.80
11 and beyond:	future capital payments incapable of estimation, but will not affect results much.				

Sum of PVS of 1st 10 years at 25% = - 192.52 (i.e. it is not worth paying 146.14 anything for North Rumaila)

at 15% = - 164.72 (i.e. it is worth paying 146.67 \$3.18 m. for North Rumaila)
\$21.33 -

6. This calculation exaggerates the worth of North Rumaila since the value of a source of production owned by an integrated company is not the profit at which the production can be sold but the costs saved by producing therefrom rather than somewhere else, e.g. Kuwait. In that case, the inflow to IPC approaches nil to B.P.; rather more to the other partners. On the other hand you may feel that some of the \$168 m., i.e. that representing back payments of the OPEC settlement, would have to be paid anyway.

7. We now come to the imponderables. There are three -

- (i) possession of North Rumaila by another company might lead to pressure on prices
- (ii) successful production therefrom might lead other producing countries to initiate Law 80.

? - imitate

/Against these



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MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: 01-222 7000

Our reference:

()

Your reference:

-3-

Against these must be put

please

(iii) the continued idleness of North Rumaila enables the companies to ~~prerate~~
Iran and Saudi Arabia by taking more oil therefrom than would otherwise
be the case.

8. Arguments (i) and (ii) have force only if one believes that the price paid for
crude covers exploration costs and perhaps an element of rent. The 15% calculations
suggest that it doesn't, but we will need to go a lot deeper than this in the course
of the I.O.P. - *W.H.P.W.*

*as needed
in conclusion*
9. Argument (i) could also have force if another company considered that it had
greater security of tenure than I consider IPC would have and is therefore prepared
to accept a lower discount rate. This, most unlikely.

10. Argument (ii) could only have force, even given that there is still a rent ele-
ment in the price of crude, if other producing countries either concluded that the
benefits to Iraq of the successful development of N. Rumaila by another company were
greater than the losses of income suffered by Iraq since 1961 (and no producing
country is foolish enough to believe this) or that it could confiscate a proven
field and offload it on to another company a lot quicker and with less effect on its
income from its present concessionaries (this too seems most improbable).

11. I have left out a third possible effect of not reaching a settlement - the con-
fiscation of the rest of IPC's properties in Iraq. This could be embarrassing if
it happened in the next year or so before the advent of enough supertankers.
Therefore, one could argue that the net effect would probably be the repassession
of North Rumaila at a lot cheaper price and increased security for oil companies'
concessions elsewhere in the Middle East.

12. I conclude that IPC would be very stupid to come to a deal with Iraq on anything
like the terms mentioned in Telegram 439 to Baghdad and that HMG, whose main interest
is in B.P., should be leaning over backwards to dissuade IPC from coming to such an
agreement. I admit that some of my arguments in paras. 7-11 are open to dispute
and therefore I am sending copies of this letter also to Alan Gregory and Joe Bruce
(who has taken over from Robin Mountfield) and to Peter Derrick at the Treasury.
If they agree with me in general, we should quickly telegraph Baghdad to put our
Embassy in the picture.

Yours ever,

S. W. Fremantle

(S. W. Fremantle)

30

PERSONAL AND CONFIDENTIAL

41



*Entry of
Recd*
British Embassy,
BAGHDAD.

(12/2)

30 November, 1968.

RECEIVED IN
ARCHIVES No. 4
- 6 DEC 1968

MCP 359/1

I.P.C.

Dear Mr.

26

I was very interested to see your letter MCP 359/1 of 19 November 1968 to Trefor Evans. I wonder if it might be helpful if I offer a few personal comments on my own account.

2. I have also known John Sutcliffe for a number of years though not nearly as well as you. I do not think, however, that our opinions of him and his line of thinking would be very different. My own recollection of what he said here accords broadly with what the Ambassador said in his letter 12/2 of 2 November. — 20 Sutcliffe expressed himself as most grateful to the Ambassador both for his advice and for arranging the meeting which Sutcliffe and Macdonald had with Takriti. After this meeting Sutcliffe himself was convinced that it was in the Groups' interest to come up with proposals which might induce the Iraqis to reach a settlement. On the other hand he stressed that he might have difficulty in getting his views across to the shareholders. He said that there should not be too much difficulty with Shell and C.F.P. but, with Maurice Bridgeman away, he was a little dubious about the line which the Board of B.P. under Drake might take. He also thought there would be greater difficulty in persuading the Americans.

3. Sutcliffe's main concern, as he explained it to me after a meeting in the Ambassador's office, was that the Iraqis should not do anything "silly" which might lead to repercussions in neighbouring countries. He felt at that stage that every means should be used to persuade the Board of B.P. of his views and he specifically mentioned the possibility of getting Geoffrey Arthur who has a high reputation in B.P. along to talk to them soon after his arrival back in London. As regards Humphrey Trevelyan, my recollection is that Sutcliffe thought of him as a potential ally on the Board, but I never got the impression that Sutcliffe thought that H.M.G. as such should attempt to take any initiative with the Board of B.P. I know — probably better than most — how counter-productive this could be! We were very glad to hear that Sutcliffe evidently did not run into the difficulties which he had feared with his own Board.

.../4.

J. T. Fearnley, Esq.,
Commodities and Oil Department,
F.C.O.

PERSONAL AND CONFIDENTIAL

PERSONAL AND CONFIDENTIAL



- 2 -

4. As regards Cocky Hahn we are grateful to you for your warning. We had also had a somewhat similar assessment of him from St. John Armitage. However I must confess that, we have not had evidence that he is attempting to force the pace too much at any rate yet. At any meeting which I have attended, he has been moderate in his line and I have not seen him at variance with Sinclair Road, his assistant on the concession side, whose opinions and personality we here respect.

Yours truly

Donald

(D. F. Hawley)
Commercial Counsellor

[Handwritten signature]

PERSONAL AND CONFIDENTIAL

CONFIDENTIAL

MC 42
TOP COPY

CYPHER/CAT A
PRIORITY BAGHDAD
TELEGRAM NUMBER 512

TO FOREIGN AND COMMONWEALTH OFFICE
9 DECEMBER 1968

CONFIDENTIAL.

ADDRESSED TO F C O TELEGRAM NUMBER 512 OF 9 DECEMBER REPEATED
FOR INFORMATION SAVING TO WASHINGTON PARIS TEHRAN THE HAGUE AND
BEIRUT.

37

MY TELNO 474* IRAQI OIL.

HAHN AND ROAD HAD TWO HOURS WITH THE IRAQI MINISTER OF OIL,
DR RAFAI, ON 7 DECEMBER. HE WAS RELAXED AND FRIENDLY BUT
ENTIRELY NEGATIVE. HE WAS ALSO UNCOOPERATIVE ON DAY TO DAY
MATTERS.

2. HAHN TOLD HIM THAT THE EXTENSION OF THE LOAN REPAYMENT
PERIOD, ALTHOUGH INCONVENIENT, HAD BEEN AGREED BY THE COMPANY AND
ALSO THAT GROUP REPRESENTATIVES COULD BE EXPECTED TO ARRIVE
SHORTLY. DR RAFAI EXPRESSED THANKS FOR THE FORMER, BUT WITH
REFERENCE TO THE LATTER, SAID THAT THEY WERE WELCOME TO COME
TO SEE IRAQ, BUT NOT TO HOLD FURTHER EXPLORATORY TALKS. THEY
SHOULD BE PREPARED TO GIVE SPECIFIC ANSWERS TO OUTSTANDING
QUESTIONS AND IN PARTICULAR THE QUESTION OF AN ADVANCE OF
ROYALTY EXPENSING PAYMENTS, AND ALSO TO NEGOTIATE QUOTE ITEM
BY ITEM UNQUOTE.

3. DR RAFAI SAID THAT THE IRAQI SIDE HAD LISTED ALL OUTSTANDING
ITEMS AND THE TIME WAS SHORT. THE SECOND FIVE-YEAR DEVELOPMENT
PLAN WOULD BE FINALISED DURING THE COMING MONTHS AND IT WAS
ESSENTIAL FOR THE GOVERNMENT TO KNOW WHAT THEIR FINANCIAL
RESOURCES WERE.

RECEIVED IN
ARCHIVES No 45
10 DEC 1968
MCP 359/1

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14.

P. a.

AMZ 11/12

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- 2 -

4. AT ONE POINT DR RAFAI SAID HE KNEW WHY THE COMPANY WERE
STALLING: THEY THOUGHT THERE WOULD BE ANOTHER COUP. BUT THEY
WERE WRONG.

5. ROAD IS ON HIS WAY TO LONDON TODAY BY AIR TO REPORT.

FCO PASS SAVING TO WASHINGTON PARIS TEHRAN BEIRUT AND THE HAGUE

MR. EVANS.

[REPEATED AS REQUESTED]

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COMMODITIES & OIL DEPT.
NEAR EASTERN DEPT.
ECONOMISTS DEPT.
INFORMATION RESEARCH DEPT.
CONSULAR DEPT.
DEFENCE POLICY DEPT.
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PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: 01-222 7000 - Ext. 1081

43

Our reference:

Y reference:

register &
return to me (I have p.p.) *Mr 11/12.*

9th December, 1968.

P.G. Wallis, Esq.,
Commodities & Oil Dept.,
Foreign & Commonwealth Office,
Downing Street,
S.W. 1.



~~Dear Peter,~~

Value of North Rumaila

(40) — Joe Bruce has pointed out an arithmetical error in the calculations in my letter of 4th December. For this I apologize.

Although I said that I took investment costs as £5.6 per annual ton, I have in fact worked on a figure of £6.6. When corrected, the figures in column 2, paragraph 5, should read :- 168, 70, 14 (five times);
+3.6,

in column 4 should read : - 70, - 5.25, *+ 11.75, + 21, + 29.75;*

in column 5 should read : - 55.95, - 3.36, + 1.79, + 4.81, + 6.88, + 9.61;

in column 6 should read : - 60.13, - 3.97, + 2.30, + 6.72, + 10.44,
+ 12.86.

The results are not very different. It is still not worth making any payment at all for North Rumaila at a 25% discount rate (though IFC might be willing to take back North Rumaila if paid only £ 9 m. instead of £24 m. by the Iraq Government). At a 15% discount rate, it is worth paying £21.33 m. to get the oilfield back.

I am sending copies of this letter to Alan Gregory, Joe Bruce and Peter Derrick.

Yours ever,

Sydney

(S.W. Fremantle)

Minuti.

17

Mr 11/12.

1. Mrs Elwell, IRD2. M² Makinson, NED.*Mr. 9/12*Iraq Petroleum Company

Reference.....

(44)

with 6 enclosures.

(37)

As a result of Mr. Arthur's enquiry, I have been trying to find out more about the reference in Baghdad telegram no. 474 paragraph 1(iv) to "the efforts being made by IPC on an unattributable basis to give publicity to the Arab cause over Palestine".

2. From what IRD tell me the IPC (and BP) employ an agency in Beirut known as "Business Services Research". This agency is run by a certain Farid Rizk whose general purpose is to give publicity to what is described as "the Arab achievement". The agency has also been employed to secure specific propaganda ~~purpose~~ objectives on behalf of the IPC. It was, for example, through them that a number of articles favouring the IPC case over a strike in their refinery in the Lebanon were published in the Lebanon several years ago. As far as IRD were aware, however, this agency had not been employed by IPC to obtain publicity "for the Arab cause over Palestine".

3. I also spoke to Mr. Dalley of the IPC in London who had previously been informed by Mr. Fearnley of the contents of Baghdad telegram no. 474. Since IRD did not wish it to be known that we were aware of what is recorded in the preceding paragraph, I made no reference to it when speaking to Mr. Dalley, and he for his part did not mention it either. Mr. Dalley confined himself to telling me that they had financed the publication of an UNRWA pamphlet about the Arab refugees entitled "Twice in a Lifetime". He has subsequently sent copies round from which it will be seen that UNRWA acknowledge the help they have had from IPC. It does not therefore come into the unattributable category. Mr. Dalley said that the only thing apart from this that he could think of was the support which the company gave to the Council of Arab-British Understanding. At his request I read over again the relevant sentence of the telegram and he professed himself unable to understand what could be meant by the wording which was used.

4. It is not clear whether we have yet got to the bottom of this. One is left with the slight impression that Mr. Dalley may not have been entirely frank with me in that he made no reference to the link with Rizk in Beirut and Mr. Fearnley has suggested that we should ask for further elucidation from Baghdad. I have sent off a telegram accordingly.

5. Pending a reply from Baghdad, I suggest that Near Eastern Department might inform Mr. Arthur of the results of our enquiries so far, together with any other points which IRD may have to add.

R.H. Ellingworth

(R.H. Ellingworth)
Commodities & Oil Dept.
3 December, 1968
Rm. G 64/G
Tel. G 24

/over ..

Farid Rizk and his activities will be well known to Mr. Ralston and Mr. Moore.

2. The phrase "on an unattributable basis" is a curious one, and seems unlikely to have been used by either the Iraqis or the I.P.C. officials. B.S.R. is a public relations firm, with close connections with a Lebanese press, and in addition to its work for I.P.C. and B.P. it is employed by the Saudis and, I think, on occasions by the Iranians. Its purpose is not so much to give publicity to Arab achievement as to do what it is paid to do by arranging publicity on lines required by its customers.

On Elwell —

4/12/68

Separate minute, (Detached)
APR 6-3

from

4/12

I knew Mr. Hahn as I.P.C. representative in Beirut. He persuaded the I.P.C. to give him a budget for publicity activities designed to present the I.P.C. to the Arabs.

He was also personally interested and active in assisting the Arabs to put their case against Israel over. I would not be surprised if he had not made a financing project, such as a pamphlet on UNRWA, available for other Arab propaganda and activities.

activities possibly conducted ^{by} ~~Business~~ ^I have
Business Services Research, but I have
no evidence.

In any case I don't think we
have any interest in intercepting.

APR. 17 1968
6-12.

~~Re: Another~~

Thank you. I have since
seen a tel. from Baghdad indicating
that the UNRWA pamphlet was what Hahn
had in mind. Hahn boasts ambition, so
it is hardly "unattributable".

PS
12

APR.
9.12

Return to Oil Dept for entry. Yours
100%
12

WITH

44

Enclosures of

Twice in a Lifetime.

OJ Reg.

Promitted 2000 to:

Miss Elwell, I.R.D.

on 24 July 1969, with the request
that it be returned.

See minute "with 92" on ML

3591


27

CONFIDENTIAL

Reference

w. 43.

"Value of North Rumania"

~~M²-Fremantle~~

These letters from M²-Fremantle have in a sense been overtaken because the attitude of the Iraq Govt has led the IPC to act more slowly than envisaged in FCO tel No 439.

2. M² Fremantle's premise appears to be that the IPC's aim is to buy back N. Rumania. This is questionable and is not stated in the FCO tel he refers to. It would be at least as true to state as the aim the swallowing of North Rumania, provided sufficient

sufficient compensation were paid -
in which case the IPC would in essence
be paying \$168 m - (x) m to
safeguard their present operations,
admitted even by Mr Fremantle
to have a temporary value. No
doubt this is a false formulation
too, though I think it is ~~far~~ nearer
to the true one.

3. This dubious starting point -
and a lack of any consideration of
what could be called wider issues
- see for example the first sentence
of "1" - leads to a lack of
balance in the letter. I am afraid
I am unable to comment on the
sums, but the presentation of the
"imponderables" is very questionable.
The basic fault in the argument is that it
ignores the fact that IPC cannot hope to preserve

Their present position without showing at least a willingness to move. Hence their policy of "steering a course" as you have put it.

4. Having said all this, I must admit to some sympathy with what I think is the basic Min. of Power approach - namely that the continuation of the present stalemate is preferable to a settlement which involves a lot of payments by IPC. If the Min. of Power calculations are right, there would be a case against a policy to "buy back" Mr. Rumaila.

5. You may like to mention this draft to the IPC when

when you see them at lunch
today. The best way of testing
the Min of Power figures would
be for them to put them to the
IPC who have presumably also
made some calculations.

R.W. Ellington

17/12/68.

Mr. Ellington

We spoke. As you know,
Mr. Fremantle's sweeping suggestions caused the
concern which I intended expressing to Mr.
Gregory. Please see the separate minute on
the copy of Mr. Gregory's minute of 16 Dec.

W
13/12

p. a. 18
M.R. 12

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TOP COPY

MC

CYPHER/CAT.A.

FROM PRIORITY BAGHDAD
TELEGRAM NO. 520

TO FOREIGN AND COMMONWEALTH OFFICE
10 DECEMBER 1968

45

CONFIDENTIAL

ADDRESSED TO FCO TELNO. 520 OF 11 DECEMBER REPEATED FOR INFORMATION SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN BEIRUT.

IRAQI OIL.

I CALLED ON THE IRAQI MINISTER OF OIL THIS MORNING IN ORDER INTER ALIA, TO INTRODUCE MY COMMERCIAL COUNSELLOR.

2. DR. RIFAI SPOKE AT LENGTH ABOUT THE IPC. HE SAID THAT HE HAD UNDERSTOOD FROM JACKLI AND LATER FROM HAHN THAT THE COMPANY WAS FULLY AWARE OF THE IRAQI GOVERNMENT'S VIEWS ON OUTSTANDING ISSUES AND WERE WILLING TO DISCUSS THEM ITEM BY ITEM. HE HAD THEREFORE BEEN AMAZED, AND ALSO MOST DISAPPOINTED, THAT THE GROUP REPRESENTATIVES, SUTCLIFFE AND MACDONALD HAD PROFESSED TO HAVE NO KNOWLEDGE OF THIS BUT SEEMED TO BE THINKING IN TERMS OF SOME SORT OF PACKAGE DEAL. HE HAD EXPLAINED THE IRAQI POINT OF VIEW TO THEM AT LENGTH AND HE HAD NOW MADE IT CLEAR TO HAHN AND ROAD THAT, UNLESS THE GROUP REPRESENTATIVES WERE PREPARED TO GIVE SOME INDICATION OF WHAT THEY PROPOSED, THERE WAS NO POINT IN THEIR COMING.

3. RIFAI SAID HE HAD LISTED ALL OUTSTANDING POINTS WHICH HAD BEEN THE SUBJECT OF NEGOTIATION SINCE 1960. THE IRAQI VIEW WAS THAT THEY WERE OWED BETWEEN 70 AND 80 MILLION WHEREAS THE COMPANY APPARENTLY ADMITTED THAT THE FIGURE WAS IN THE REGION OF 50 MILLION. SURELY THE COMPANY COULD BEGIN BY MAKING A PAYMENT ON ACCOUNT, LEAVING DETERMINATION OF THE FINAL SUM TO BE PAID FOR THE NEGOTIATION? - ONCE THE MAJOR ISSUES INVOLVED I.E. ROYALTY EXPENSING, THE PRICE OF OIL AND THE RELATIONSHIP BETWEEN THE GOVERNMENT

/AND

CONFIDENTIAL

I have told Mr² Dally and minuted accordingly.

Mr² 12/12.

AND THE COMPANY (APPARENTLY IN RESPECT OF ACCESS TO ACCOUNTS ETC.), THE SUBSIDIARY ISSUES COULD BE SOLVED WITHOUT DIFFICULTY.

4. RIFAI EXPLAINED, AS HE HAD TO HAHN AND ROAD (PLEASE SEE MY TELNO. 512) THAT THE GOVERNMENT NEEDED TO KNOW WHAT RESOURCES THEY COULD COUNT ON IN CONNECTION WITH THE NEXT FIVE YEAR PLAN. HE KNEW THAT THE COMPANY HAD A CRASH DEVELOPMENT PROGRAMME WHICH COULD BE PUT INTO EFFECT IMMEDIATELY AN AGREEMENT WAS REACHED AND WHICH WOULD BE TO THE ADVANTAGE OF IRAQ AND OF THE COMPANY. IF THERE WAS NO AGREEMENT, THE GOVERNMENT WOULD NATURALLY HAVE TO RELY ON OTHER RESOURCES TO FINANCE THE PLAN. THE COMPANY WERE MISTAKEN IF THEY THOUGHT THAT THE IRAQI GOVERNMENT WOULD LOWER THEIR SIGHTS IF THE COMPANY HELD BACK. SUCH DELAYING TACTICS WOULD NOT WORK.

5. TURNING BACK TO THE PROSPECT OF NEGOTIATIONS, RIFAI SAID THAT AN AGENDA COULD BE DRAWN UP ONCE THE ATTITUDE OF THE GROUPS BECAME CLEAR. THE POINTS OUTSTANDING ON BOTH SIDES WERE WELL KNOWN. FOR HIS PART HE WANTED A FRUITFUL NEGOTIATION AND WAS PREPARED FOR THIS TO BE HELD EVEN DURING THE RAMADAN FAST (WHICH GOES ON TILL ABOUT 20 DECEMBER). HOWEVER IT WAS NO USE GOING ROUND IN CIRCLES. THIS COULD ONLY CAUSE THE SAME SORT OF ILL-FEELING AS HAD BEEN AROUSED BY THE LAST ROUND. HE UNDERSTOOD THAT ROAD HAD NOW GONE TO LONDON TO EXPLAIN THE IRAQI POINT OF VIEW.

6. RIFAI WAS FRIENDLY AND SPOKE OF THE CONSIDERABLE OPPORTUNITIES IN THIS COUNTRY FOR BRITISH FIRMS AT THE PRESENT TIME PROVIDED THEIR APPROACH WAS RIGHT. FCO PLEASE PASS SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN BEIRUT.

MR. EVANS

[REPEATED AS REQUESTED]

DEPARTMENTAL DISTRIBUTION

COMM. & OIL. D.

N. EAST. D.

ECONOMISTS DEPT.

I.R.D.

EX. PRO. D.

TRADE POL. D.

Mr. Fearnley

Iraq Oil

(45) I telephoned Mr. Dalley of the IPC today to give him the gist of Baghdad telegrams Nos. 517 and 520. Mr. Dalley had no comment to make on the first but said he was grateful to have this background information.

2. On Baghdad telegram No. 520, Mr. Dalley said that the Iraqi line as expounded by the Minister to the Ambassador was similar to what they had themselves heard from Mr. Road, at present back in this country for consultations. From the IPC's point of view there were obvious reasons why they should not wish to proceed on the basis the Iraqis were asking. The company would in effect be giving way to the Iraqi demands and would be receiving nothing from them in return. At the end they would find that they had given away all their cards and received no satisfaction over issues such as North Rumaila. He was sure that the Groups would not wish to send a further delegation to Iraq on the basis that the Iraqis were demanding. The company had agreed to postpone until 1970/71 the repayment of a loan of £8 million which was due to them on January 1, 1969 and he foresaw no present prospect of any further concessions on the company's part.

3. Mr. Dalley said that they foresaw some difficulty in the company's being able to maintain contacts with the Iraqi Ministers in the future. He understood that there had been a Cabinet order to the effect that appointments with Ministers should in future be arranged through the Ministry for Foreign Affairs in Baghdad and that the normal rule would be that agreement would only be given for a meeting with the Minister who was directly responsible. This would affect their contacts with, e.g., Takriti.

RECEIVED IN
ARCHIVE No 45
13 DEC 1968
MEP 359/1

R.H. Ellingworth

(R.H. Ellingworth)
11 December 1968

C.C.

Mr. Gallagher
Near Eastern Department
Mr. Gregory, Ministry of Power
Mr. Derrick, Treasury.

*Dr. You submitted separately to Mr. Gallagher
after a brief talk I had yesterday with Mr. Dalley.*

TOP COPY
47

CONFIDENTIAL

CYPHER CAT A
PRIORITY BAGHDAD
TELEGRAM NUMBER 524

TO FOREIGN AND COMMONWEALTH OFFICE
12 DECEMBER 1968

MC

CONFIDENTIAL

ADDRESSED TO FCO TELNO. 524 OF 11 DECEMBER REPEATED FOR
INFORMATION SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN
AND BEIRUT

MY TELNO. 520 ~~45~~ IRAQI OIL.

I HAVE INFORMED HAHN.

RECEIVED IN
ARCHIVES No 45
13 DEC 1968
MCP 359/1

2. IT WAS CLEAR FROM WHAT SUTCLIFFE TOLD ME AT THE TIME
THAT HIS AND MACDONALD'S MEETING WITH THE IRAQI MINISTER
OF OIL ON 17 OCTOBER WAS FAR FROM BEING A SUCCESS -
PLEASE SEE MY TELEGRAM NO. 347. IT IS HOWEVER EXTRAORDINARY
THAT DR. RIFAI SHOULD HAVE UNDERSTOOD THEM TO SAY THAT
HIS VIEWS AS EXPRESSED TO JACKLLI AND HAHN WERE NOT KNOWN
TO THEM. ACCORDING TO HAHN, HE PICKED ON AN INJUDICIOUS
REMARK ABOUT ROYALTY EXPENSING, SOMETHING TO THE EFFECT
THAT THEY HAD NO KNOWLEDGE OF ANY IRAQI DEMAND FOR ADVANCE
PAYMENT. SUTCLIFFE AND MACDONALD, FOR THEIR PART,
WERE EQUALLY SURPRISED AND DISAPPOINTED THAT DR.
RIFAI, HAVING HELD OUT HOPES OF SOME PROGRESS ON NORTH
RUMAILA, HAD MERELY REFERRED THEM TO THE MANAGEMENT
OF THE NATIONAL OIL COMPANY.

16

3. OTHERWISE, OUR INTERVIEW YESTERDAY WITH DR.
RIFAI WAS NOT DISCOURAGING. IN PARTICULAR, THE REF-
ERENCE TO THE CRASH PROGRAMME AND TO THE NEW FIVE YEAR
PLAN WOULD SEEM TO BE SIGNIFICANT. THE IMPLICATION
IS THAT THE IRAQI GOVERNMENT WANT THE PROGRAMME TO BE
IMPLEMENTED

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M² Fearhley
is considering a
Comment on this

P.A.

OM 1/2

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-2-

IMPLEMENTED FOR THE BENEFIT OF THE PLAN, AND THIS WOULD APPEAR TO OFFER TO THE COMPANY SOME GUARANTEE OF REMAINING IN BUSINESS FOR FIVE YEARS AT LEAST. OBVIOUSLY, THE MORE INDISPENSIBLE THE COMPANY CAN MAKE ITSELF IN THE CONTEXT OF THE ECONOMIC DEVELOPMENT OF THE COUNTRY, THE BETTER ARE ITS CHANCES OF PROFITABLE SURVIVAL. SUGGESTIONS THAT THE COMPANY HAS FAILED TO IDENTIFY ITSELF WITH THE WELFARE OF THE IRAQI PEOPLE - AND THESE HAVE BEEN HEARD REGULARLY IN VARIOUS FORMS OVER THE PAST FEW MONTHS AND ARE IN SHARP CONTRAST TO PREVIOUS CHARGES OF MEDDLING IN THE COUNTRY'S INTERNAL AFFAIRS - TEND TO SUPPORT THIS INTERPRETATION.

4. HAHN AGREES, BUT BELIEVES THAT ALL DR. RIFAI IS REALLY INTERESTED IN IS WHETHER THE COMPANY IS PREPARED TO MAKE A DOWN-PAYMENT, AND THAT HIS INSISTENCE ON KNOWING THE COMPANY'S ATTITUDE TO QUESTIONS ON HIS LIST (NUMBERING NO LESS THAN 18) MERELY REFLECTS THIS. HAHN FURTHER BELIEVES NOW THAT DR. RIFAI IS NOT THE MAN TO MAKE AN AGREEMENT - HE IS AN ENGINEER AND NOT A POLITICIAN - AND IN ANY CASE HE MAY BE ON THE WAY OUT. HIS UNCOOPERATIVE ATTITUDE ON DAY TO DAY QUESTIONS SUCH AS LABOUR PERMITS, FINANCE CERTIFICATES, ETC. SUGGESTS AN UNWILLINGNESS TO ACCEPT RESPONSIBILITY. FURTHERMORE, DR. RIFAI HIMSELF MADE IT CLEAR ENOUGH TO HAHN ON 7 DECEMBER THAT UNLESS THE COMPANY'S INTENTIONS WERE CLEARER A VISIT BY THE GROUP'S REPRESENTATIVES WOULD SERVE NO USEFUL PURPOSE AT THIS STAGE AND THE UNDER-SECRETARY AT THE MINISTRY OF OIL IN FACT INDICATED THAT HE DID NOT EXPECT NEGOTIATIONS TO START UNTIL JANUARY. HAHN'S VIEW IS THAT NO PROGRESS CAN BE MADE UNTIL TAKRITI, AMMASH AND SHEIKHLY GIVE THE BUSINESS THEIR BLESSING. (TAKRITI AND SHEIKHLY ARE RETURNING FROM TEHRAN TODAY.)

5. I HAVE

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BAGHDAD TELEGRAM NO.524 TO FOREIGN AND COMMONWEALTH OFFICE

-3-

5. I HAVE NO DOUBT THAT HAHN IS RIGHT ABOUT THE DOWN-PAYMENTS AS THE IRAQIS CLEARLY HAVE THE BIT BETWEEN THEIR TEETH OVER ROYALTY EXPENSING.

I AM NOT SO SURE ABOUT THE REST. PERHAPS THE SITUATION WILL BE CLEARER WHEN TAKRITI IS BACK AND HAS TAKEN STOCK OF THE SITUATION.

CO PLEASE BASS SAVING TO PARIS, WASHINGTON, THE HAGUE TEHRAN AND BEIRUT.

MR. EVANS

[REPEATED AS REQUESTED]

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48

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hcl 359/1

13 December, 1968

39

(37) Your telegram No. 502 explains the reference in your telegram No. 474, paragraph 1(iv), to "the efforts being made by IPC on an unattributable basis to give publicity to the Arab cause over Palestine". We have now received from IPC in London a copy of the UNRWA publication "Twice in a Lifetime" and it is made clear on a slip attached to the publication that IPC have assisted in its production. If this slip generally accompanied the publication, as we presume it would, then the publication could hardly be said to be ^{un}attributable. I thought it would be useful for you to have a note of this point on your files.

End to (44)

(P. G. Wallis)

A. E. Saunders, Esq.,
British Embassy,
Baghdad.

Top copy re-typed.
Enter and re-submit to
Mr. Stanley (file 41)

49

13/2

~~CONFIDENTIAL~~

CYPER/CAT A AND BY BAG
ROUTINE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 513

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TO BAGHDAD

13 DECEMBER 1968. (C. & O.D.)

49
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ADDRESSED TO BAGHDAD TELNO 513 OF 13 DECEMBER REPEATED FOR INFORMATION SAVING TO BEIRUT, THE HAGUE, PARIS, TEHRAN, WASHINGTON.

457 YOUR TELNO 520 OF 10 DECEMBER: IRAQ OIL. NE.

WE GAVE THE GIST OF THIS TELEGRAM AND YOUR TELEGRAM NO 517 IN CONFIDENCE TO THE I P C HEAD OFFICE.

2. WE TAKE IT THAT, FACED WITH THE MINISTER'S COMMENTS, YOU INDICATED DISSENT AS APPROPRIATE. THERE IS ALWAYS THE DANGER THAT THE IRAQIS MIGHT SEEK TO INTERPRET ANY SILENCE ON OUR PART IN SUCH A CONTEXT AS BROAD ACQUIESCE IN THEIR ARGUMENTS.

3. HAVING HEARD ROAD'S REPORT (YOUR TELNO 512) THE I P C 42 GROUPS HAVE THE CLEAR IMPRESSION THAT THE IRAQ GOVERNMENT ARE SIMPLY AFTER A DOWNPAYMENT (MINISTER OF OIL TALKED OF 10 TO 20 MILLION POUNDS STERLING) WITHOUT GIVING ANYTHING IN RETURN. THE GROUPS AGREED TO EXTEND THE 8 MILLION POUNDS STERLING LOAN REPAYMENT WITHOUT HAGGLING AND THEY ARE NOT (REPEAT NOT) OPPOSED TO A PIECemeAL APPROACH (MY TELNO 439), BUT IN THE PROCESS THEY 30 WOULD WANT TO GET AS WELL AS GIVE. FOR YOUR OWN INFORMATION, THE GROUPS ARE CONSEQUENTLY NOT IN A HURRY TO SEND A TEAM OUT FROM HERE AND, SUBJECT TO FURTHER DEVELOPMENTS AND ANY SECOND THOUGHTS, ONE CANNOT BE EXPECTED FOR A MONTH OR SO.

4. IN THE CIRCUMSTANCES, IT WOULD SEEM SAFER FOR YOU TO AVOID AS FAR AS POSSIBLE DISCUSSIONS WITH THE IRAQIS ON THE PRESENT POSITION AND PROSPECTS, REFERRING THEM AS NECESSARY TO THE LOCAL I P C REPRESENTATIVE AND STRESSING THAT THESE MATTERS ARE FOR DIRECT GIVE-AND-TAKE NEGOTIATION BETWEEN THE IRAQ GOVERMENT AND THE COMPANY.

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• Date and time (G.M.T.) telegram should
reach addressee(s)

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(Date) 14/12

Despatched 03/55

CYRILLIC

PRIVACY MARKING
<u>In Confidence</u> <u>Ex Clair.</u> <u>Code</u> <u>Cypher</u>

[Security classification—if any] CONFIDENTIAL

[Privacy marking—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. 513 (date) 13 Dec

And to

repeated for information to

Saving to BEIRUT, THE HAGUE, PARIS, TEHRAN, WASHINGTON

Your telegram No. 520 [10 December] : Iraq Oil.

We gave the gist of this telegram and your telegram No. 517 in confidence to the IPC Head Office.

2. We take it that, faced with the Minister's comments, you indicated dissent as appropriate. There is always the danger that the Iraqis might seek to interpret any silence on our part in such a context as broad acquiescence by HMG in their arguments.

3. Having heard Road's report (your telegram No. 512) the IPC Groups have the clear impression that the Iraqi Government are simply after a downpayment (Minister of Oil talked of 10 to 20 million pounds sterling)

NOTHING TO BE WRITTEN IN THIS MARGIN

Draft Telegram to:—
BAGHDAD

No. 513

(Date) 13/12

And to:—

[FLAG A]

Repeat to:—

Agreed with New
Eastern Dept.
(Mr. Makinson)

[FLAG B]

Saving to:—

BEIRUT
THE HAGUE
PARIS
TEHRAN
WASHINGTON

Departmental
Distribution:—

C & O Dept.
NED, Arabian,
NAD, WED, News,
EEID, Research
Guidance, IRD

[FLAG C]

Copies to:—

3cc Mr. Gregory,
Min of Power
3cc Mr. Derrick
Treasury



1453713/12

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/without

~~CONFIDENTIAL~~

without giving anything in return. The Groups
agreed to extend the £8 million loan repayment without
haggling and ^{they} are not (repeat not) opposed to a piece-
meal approach (my telegram No. 439), but in the process [FLAG 2] 00

they would want to get as well as give. For your own
information the Groups are consequently not in a hurry
to send a team out from here and, subject to any
second thoughts, one cannot be expected for ~~about~~ a
month or so.

4. In the circumstances, it would seem safer to avoid
as far as ~~as~~ possible discussions with the Iraqis on
the present position and prospects, referring them as
necessary to the local IPC representative and stressing
that these matters are for direct give-and-take
negotiation between the Iraq Government and the company.

for the developments
and

NOTHING TO BE WRITTEN IN THIS MARGIN

13
F. 12.

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(50)

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COPY

CYPHER/CAT A
ROUTINE BAGHDAD
TELEGRAM NO. 531

TO FOREIGN AND COMMONWEALTH OFFICE
14 DECEMBER 1968

MC

CONFIDENTIAL.

ADDRESSED TO FCO TELEGRAM NO. 531 OF 14 DECEMBER REPEATED FOR INFORMATION SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN AND BEIRUT.

MY TELEGRAM NO. 520 : IRAQI OIL. - (45)

SINCLAIR ROAD HAS NOW RETURNED AND HE AND HAHN CALLED LAST NIGHT.

2. ROAD SAID THAT HE HAD FORTUNATELY BEEN ABLE TO ATTEND A MEETING OF GROUP REPRESENTATIVES. OPINION HAD HARDENED FOLLOWING PRESS REPORTS OF DEVELOPMENTS HERE, BUT HAD BEEN ABLE TO PUT THINGS IN PERSPECTIVE. AS A RESULT GOOD PROGRESS HAD BEEN MADE AND HAHN WOULD BE ABLE TO INFORM THE IRAQI MINISTER OF OIL (WHOM HE HOPED TO SEE ON 16 DECEMBER) THAT GROUP REPRESENTATIVES WOULD BE COMING OUT AFTER THE HOLIDAYS WITH POSITIVE (? WORD OMITTED). HAHN ALSO PROPOSES TO TELL DR. RIFAO THAT THE COMPANY IS PROPOSING TO INTEREST ITSELF IN SOME WELFARE PROJECT AND WILL ENQUIRE WHETHER SOMETHING IN THE PUBLIC HEALTH FIELD WOULD SUIT - PLEASE PARAGRAPH 3 OF MY TELNO. 394.

19
3. IN THE MEANTIME, GROUP REPRESENTATIVES ARE TRYING TO WORK OUT A FORMULA OF WHAT CAN BE COMMUNICATED TO THE MINISTER BEFORE THEIR ARRIVAL WHICH WOULD CONVINCE HIM OF THE SERIOUSNESS OF THEIR INTENTIONS, BUT AT THE SAME TIME NOT SHOW THEIR (? WORD OMITTED).

FCO PASS SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN AND BEIRUT.

MR. EVANS

/ REPEATED AS REQUESTED /

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M. Fearnley

51

see minute on original

JTF

This is delicate. H.M. Ambassador

Mr. Fearnley

13/12 has been robust in the past &
he may have had other reasons for
not reacting on this occasion.

Iraq Oil

May 9 pm. see the telegram before

I have recorded in a separate minute my 'expatiate' discussion with Mr. Dalley this afternoon about Baghdad telegrams Nos. 517 and 520. Mr. Dalley also made it very plain and asked me to tell you that he was not at all happy about the way in which the Ambassador had handled his meeting with the Iraqi Minister of Oil. From what had been reported the Ambassador had listened without comment to what the Minister had said even though much of this had been unacceptable from the IPC's point of view. The company might be willing to make payments for royalty expensing etc. in the context of a general agreement, but as things stood they were far from reaching such an agreement and they certainly did not admit any liability now. Mr. Dalley thought it would really be much better if the Ambassador took the line on such occasions that these were matters for discussion between the Iraqi Government and the company. If the Minister were allowed to expatriate as on this occasion without interruption the next thing would be that the Iraqi Government would be saying that the Ambassador accepted their case.

2. In my view there is some justice in Mr. Dalley's complaint. Indeed, it can be questioned whether it was very timely for the Ambassador to arrange this meeting with the Minister at a time when he was aware that one of the IPC representatives was back in London for consultations about the company's policy.

3. I think therefore that we should report Mr. Dalley's reaction by telegram to Baghdad, making the point that it seems very unlikely that a further IPC delegation will go to Baghdad in the near future and impressing on the Ambassador the need to keep in the closest touch with the company's representatives. Before being drawn into any further discussion of these matters with the Iraqis.

(R.H. Ellingworth)
11 December 1968

C.C.

Mr. Gallagher.

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Reference.....

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17 DEC 1968

51
MCP 359/1

Mr. Fearnley

Iraq Oil

I have recorded in a separate minute my discussion with Mr. Dalley this afternoon about Baghdad telegrams Nos. 517 and 520. Mr. Dalley also made it very plain, and asked me to tell you, that he was not at all happy about the way in which the Ambassador had handled his meeting with the Iraqi Minister of Oil. From what had been reported the Ambassador had listened without comment to what the Minister had said even though much of this had been unacceptable from the IPC's point of view. The company might be willing to make payments for royalty expensing etc. in the context of a general agreement, but as things stood they were far from reaching such an agreement and they certainly did not admit any liability now. Mr. Dalley thought it would really be much better if the Ambassador took the line on such occasions that these were matters for discussion between the Iraqi Government and the company. If the Minister were allowed to expatiate as on this occasion without interruption the next thing would be that the Iraqi Government would be saying that the Ambassador accepted their case. (45)

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R.H. Ellingworth

(R.H. Ellingworth)
11 December 1968

C.C.
Mr. Gallagher.

Mr. Gallagher

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Mr. Gallagher

Please see also your minute on
the attached copy of the above.

2. I spoke to Mr. Dailey, who
without prompting acknowledged that he had
strayed in his comments rather outside his own
field. He was, however, rather concerned about
the way the Tragis might react if we let
such comments pass in silence. I said that
Mr Ambassador may well have spoken back
to the Minister on the usual lines but in
reporting ~~had~~ assumed we would take this for
granted.

3. I submit a draft telegram,
~~agreed~~ with NED, which incorporates a
fairly gentle warning about the dangers of his,
and with him Hult's, getting interposed in this
intractable dispute.

J. Denby

12/12

→ Mr. Ellington a.a.

Telegram despatched

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P. A.

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Mr 12.

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CYPHER/CAT A
PRIORITY BAGHDAD
TELEGRAM NUMBER 533

TO FOREIGN AND COMMONWEALTH OFFICE
16 DECEMBER 1968.

CONFIDENTIAL.

ADDS TO FCO TEL NO 533 OF 16 DEC REPTD FOR INFMN SAVING TO
PARIS, WASHINGTON, THE HAGUE, TEHRAN AND BEIRUT.

49 YOUR TELEGRAM NO 513: IRAQI OIL.

THERE IS OF COURSE A DIFFERENCE AT LEAST OF EMPHASIS BETWEEN
WHAT THE IPC TOLD YOU IN LONDON AND WHAT THE IPC CHIEF REPRES-
ENTATIVE HERE TOLD US. (THE LATTER CLEARLY SAID THAT GROUP
REPRESENTATIVES WOULD BE HERE EARLY IN JANUARY - PLEASE SEE
60 MY TEL NO 531).

2. IN THE COURSE OF OUR CONVERSATION WITH THE IRAQI MINISTER
OF OIL I CERTAINLY INDICATED DISSENT AS APPROPRIATE. FOLLOWING
IS EXTRACT FROM THE FIRST DRAFT OF MY TELEGRAM NO 520. "I 45
MADE THE POINT THAT NO AGREEMENT HAD BEEN REACHED ON ROYALTY
EXPENSING AND THAT THE IRAQIS WERE IN FACT ASKING FOR WHAT
THEY WOULD HAVE GOT IF AGREEMENT HAD BEEN REACHED." I HAVE
REPEATEDLY OVER THE PAST MONTHS USED THE ARGUMENT THAT NEGOT-
IATIONS MEANS GIVING AS WELL AS TAKING.

3. AS REGARDS THE DOWN-PAYMENT, MY FRENCH COLLEAGUE
TOLD ME ON 14 DECEMBER THAT SOME UNCONDITIONAL FINANCIAL
GESTURE WAS ESSENTIAL TO PAVE THE WAY TO A SETTLEMENT.
INCIDENTALLY, HE WAS CONSIDERABLY IMPRESSED BY AMMASH,
WHOM HE SAW FOR THE FIRST TIME ON 10 DECEMBER AND WHO WAS
OUTSPOKENLY ANTI-COMMUNIST.

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4. I WILL OF COURSE AS FAR AS POSSIBLE DURING THE COMING WEEKS AVOID DISCUSSION WITH THE IRAQIS. I ASSUME, HOWEVER, THAT IF I DO SEE TAKRITI YOU AND THE COMPANY WILL BE INTERESTED TO KNOW WHAT HIS THINKING IS.

FCO PASS SAVING TO PARIS WASHINGTON THE HAGUE BEIRUT AND TEHRAN.

MR. EVANS.

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Mr. Fermanie

c.c. Mr. Ellingworth, F.O.

IRAQ : VALUE OF NORTH RUMAILA

I think as you note, some of the arguments in paras. 7 - 11 of your letter of 4th December to Mr. Wallis are questionable; and insofar as much of the \$160m. is arguably payable (whatever the legalities) under the OPEC formula, the basis of your cash flow calculation may be questioned. Broadly however I agree that unless Iraq is considered a dangerously festering sore and that money must be paid to prevent the disease spreading, the main effect of a dearly bought settlement there will be greatly to exacerbate problems elsewhere, - particularly with Nigeria coming back in the next year or two to substantial production.

Iraq was touched on during Friday's meeting with M.P. on other matters, and I gathered from Chris. Laidlaw and Geoffrey Stockwell that Mr. Palley's conviction that the Greeks would not wish to send a further delegation to Iraq on the basis that the Iraqis are demanding was extremely well founded so far as E.P. are concerned.

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ARCHIVES 11/10 45
16th DECEMBER 1968
MCP 359/1

16th December 1968.

M² Earmley

You should see before speaking to Mr. Gregory

At lunch today, M² Steliffe said that unless the Iraqis gave real cause for them to think a visit would be "worthwhile" he would do his best to have a "more important prior engagement" in January. He also said, in response to my question, that ~~the~~ world

would much prefer N. Russia's compensation rather than getting that oil field back.

R.H. Ellsworth

R.H. Ellsworth

17/12/68

Thank you. I thanked Mr. Gregory for sending a copy of his minute, which I said still had not been concerned. Mr. Forman's letter of 4 Dec. had caused me. I confirmed that there was no thought in Mr. Gregory's mind that we should consider approaching BPC or ^{to question} the latter's general attitude to the Iraq problem.

2. I agreed with Mr. Gregory that for many points of view the present statement was not unfavorable to our oil interests, but that we would be rash to rely on the Iraqis' newly standing pat; in the circumstances, therefore, the IPC's general approach to a highly complex and very difficult problem was seemed sensible and for the time being at least it seemed best for MPC to remain as closely informed observers.

3. I am seeking to clarify the rather confused present tactical position of IPC, which is not I think adequately covered by Mr. Gregory's said your minutes. This is not said in any spirit of criticism; the constituent parts of IPC itself do not seem to be entirely agreed on exactly where they stand tactically at the moment.

18/12/68

Key & P.A.

18
W.E. 32

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CYPHER/CAT A AND BY BAG
PRIORITY FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 519

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20 DEC 1968
MEP 359/1

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TO BAGHDAD
19 DECEMBER 1968.
LAST
PAPER

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ADDRESSED TO BAGHDAD TELNO 519 OF 19/12 REPEATED FOR INFORMATION
SAVING TO BEIRUT THE HAGUE PARIS TEHRAN WASHINGTON.

THANK YOU FOR YOUR TELEGRAM NO 533 : IRAQ OIL. 52

49 THE DIFFERENCE IN EMPHASIS AND DETAIL BETWEEN THE INFORMATION
GLEANED HERE (MY TELEGRAM NO 513) AND YOURS FROM IPC'S BAGHDAD
REPRESENTATIVE (YOUR TELEGRAM NO 531) IS PROBABLY LARGEY DUE TO THE
FOLLOWING FACTORS:- 50

(I) THE TIME LAG IN COMMUNICATIONS AMONGST THE VARIOUS ELEMENTS OF
IPC HERE AND BETWEEN THEIR BAGHDAD REPRESENTATIVE AND THE HEAD
OFFICE:

(II) THE CONSEQUENT OBSTACLES TO GETTING A QUICK IPC CONSENSUS ON
THE IMMEDIATE TACTICAL SITUATION: AND

(III) THE CONTRAST BETWEEN THE RATHER BULLISH ATTITUDE OF IPC'S
BAGHDAD OFFICE (DUE TO PERSONALITIES) AND THE MORE CAUTIOUS ATTITUDE
OF THE GROUPS (WHO ARE NOT ALWAYS HAPPY ABOUT HAHN'S WAY OF GOING
ABOUT THINGS).

2. THE GROUPS STILL HOLD TO THE FLEXIBLE GENERAL APPROACH DESCRIBED
IN EARLIER TELEGRAMS FROM HERE AND IN PARTICULAR MY TELEGRAM NO 439
(21 NOVEMBER). HOWEVER, SINCE THE SOUNDING OPERATION CARRIED OUT 30
BY IPC'S BAGHDAD REPRESENTATIVE DID NOT THROW MUCH LIGHT ON THE
ATTITUDES OF THE KEY MEMBERS OF THE IRAQI REGIME AND ONLY TENDED
TO CONFIRM, LIKE YOUR OWN REPORTS, THE CONFUSED STATE OF POLITICAL
AFFAIRS IN BAGHDAD, THE GROUPS SAW LITTLE HOPE OF MAKING PROGRESS
WITH ANY REAL GIVE-AND-TAKE NEGOTIATIONS, WHETHER AIMED AT PIECE-
MEAL AGREEMENTS OR A GENERAL SETTLEMENT. THEY WERE IN ANY CASE QUITE
CLEAR THAT THEY WOULD NOT COMMIT THEMSELVES UNRESERVEDLY TO A PAY-
MENT ON ACCOUNT, WHICH WAS WHAT THE IRAQIS SEEMED TO BE AFTER, OR TO
NEGOTIATE UNDER ANY OTHER PRE-CONDITIONS, EXPLICIT OR IMPLICIT,
LAID DOWN BY THE IRAQIS.

3./ HAHN

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3. HAHN ARRIVED IN LONDON YESTERDAY TO REPORT ON HIS INTERVIEW WITH THE MINISTER OF OIL THIS WEEK AND PROSPECTS GENERALLY. WE HAVE HAD A QUICK PREVIEW OF HAHN'S REPORT FROM THE IPC MANAGEMENT: THE GROUPS ARE NOT YET IN THE PICTURE. WE ARE TOLD THAT HAHN REPORTED THAT THE INTERVIEW WAS A RELAXED ONE AND THAT THERE WAS NO SUGGESTION THIS TIME OF PRECONDITIONS ON THE IRAQI SIDE. IN THE LIGHT OF THIS THE VIEW OF DALLEY, MANAGING DIRECTOR, IS THAT THE WAY IS NOW CLEAR TO THE VISIT OF A NEGOTIATING TEAM IN EARLY JANUARY. THE TEAM WOULD COME IN THE SPIRIT OF THE GENERAL IPC APPROACH (PARAGRAPH 2 ABOVE) AND, IF THE IRAQIS SHOWED SIGNS OF READINESS TO DO A GIVE-AND-TAKE DEAL, EITHER ON A PIECemeAL OR A WIDER BASIS, THE TEAM WOULD HAVE POSITIVE PROPOSALS TO MAKE. WHEN THE GROUPS HAVE CONSIDERED HAHN'S REPORT, THEY MIGHT BE EXPECTED TO ENDORSE DALLEY'S VIEW (ALTHOUGH WE HAVE HAD INDICATIONS THAT MID-JANUARY WOULD BE A MORE ACCEPTABLE DATE FOR THEM).

4. THE ABOVE THROWS AS MUCH LIGHT ON THE SUBJECT AS WE CAN FIND HERE AT THE MOMENT. THE OBSCURITY SEEMS TO BE CONFINED TO QUESTIONS OF IMMEDIATE TACTICS AND NOT TO THE IPC'S GENERAL APPROACH.

5. THE ABOVE IS FOR YOUR AND OTHER RECIPIENTS' OWN INFORMATION ONLY.

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Code
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~~BAGHDAD~~
~~PRIORITY~~ 519
No. 19/12

(Date) 19/12

And to:-

Repeat to:-

~~Saving to:-~~
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~~THE HAGUE~~
~~PARIS~~
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Research, Guidance
IRD.

Copies to:-
A.T. Gregory,
Min of Power.
F.P.B. Derrick,
Treasury

[Security classification
—if any]

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[Privacy marking
—if any]

[Codeword—if any]

Addressed to BAGHDAD (PRIORITY)

telegram No. (date) 19 December

And to.....

repeated for information to.....

Saving to BEIRUT THE HAGUE PARIS TEHRAN WASHINGTON

Thank you for your telegram No. 533 16

December 7 : Iraq Oil.

and detail

The difference in emphasis between the information gleaned here (my telegram No. 513) and yours from IPC's Baghdad representative (your telegram No. 531) is probably largely due to the following factors:-

- (i) the time-lag in communication amongst the various elements of IPC here and between their Baghdad representative and the Head Office;
- (ii) the consequent obstacles to getting a quick IPC consensus on the immediate tactical situation; and
- (iii) the contrast between the rather bullish attitude of IPC's Baghdad Office (due to personalities) and the more cautious attitude of the Groups (who are not always happy about Hahn's way of going about things).

2. The Groups still ~~have in mind~~ ^{hold to} the flexible general approach described in earlier telegrams from here and

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/in

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in particular my telegram No. 439 21 November.

However, since the sounding operation carried out by IPC's B_aghdad representative did not throw much light on the attitudes of the key members of the Iraqi régime and only tended to confirm, like your own reports, the confused state of political affairs in Baghdad, the Groups saw little hope in these circumstances of making progress with any real give-and-take negotiations, whether aimed at piecemeal agreements or a general settlement. They were in any case quite clear that they would not commit themselves unreservedly to a payment on account, which was what the Iraqis seemed to be after, or to negotiate under any other pre-conditions, explicit or implicit, laid down by the Iraqis.

3. Hahn arrived in London yesterday to report on his interview with the Minister of Oil this week and give his view of prospects generally. We have had a quick preview of Hahn's report from the IPC management; the Groups are not yet in the picture. We are told that Hahn reported that the interview was a relaxed one and that there was no suggestion this time of pre-conditions on the Iraqi side. In the light of this the view of Dalley, Managing Director, is that the way is now clear to the visit of a negotiating team in early January. The team would come in the spirit of the general IPC approach (paragraph 2 above) and, if the Iraqis showed signs of readiness to do/give-and-take deal, either on a piecemeal or a wider basis, the team would have positive proposals to make. When the Groups have considered Hahn's report, and views, they might be expected to endorse Dalley's view (although we have had indications that mid-January would be a

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more acceptable date for them).

4. The above throws as much light on the subject as we can find here at the moment. The obscurity seems to be confined to questions of ^{immediate} tactics and not to the IPC's general approach.

5. The above is ~~strictly~~ for the ~~information~~
~~of your~~ and other recipients' ~~own information~~
only.

W

b1/b2

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R. H. Ellingworth, Esq.,



With the compliments of

A.T. GREGORY

MINISTRY OF POWER

Thames House South

Millbank

London, S.W.1.

16th December 1968

.....

DSF.....

**NON-OFFICIAL, &c., TELEGRAM
RECOVERY OF COST**

Section 1 below should be completed by Telegraph Department and this half of this form should then be attached to the draft of telegram and sent to the Registry concerned.

Section 1**48**

Telegram No.

Date 23/1To BagdadEntered papers
(if known) MCP 359/1 **85****Section 2 [For completion by Finance Department]**

Cost of message: £ 12 : 2 : 4

DSF(M)61 to Registry for Despatch
DraftSigned S. J. S. S......Date 5/2/69**P.T.D.**

رئاسة مجلس الأمة
في "الرقة"
ج. س. العقاد

0
Confidential

0
Cable to Bagdad 23rd January 1969

0
"A"

0
Please pass ~~the~~ following ^{urgently} to Hahn of I. P. C. from Dalley.

0
1. 2. The earliest date possible for my visit is Wednesday, 29th January. Please let me know if this is convenient.

0
3. Sutcliffe asks whether you have yet made a commitment for him. If not, he asks you to consider whether it would be better to postpone his arrival until Saturday, 1st February, or at least until Monday, 27th January. He does not want to have finished his business before I arrive as the probable result of it might well make the position more difficult for me.

0
"B"

0
Endally
(cc: Dalley)

0
Mr
23/1

TELEGRAM SECTION
Room 124 K.C.S
Communications Department

YTC/1

Comm. Oil Det.

Copy/ies of the following telegram has/have been sent

No. 48 to Bagdad - 23.1.69.

TO:

Mr. A.T. Gregory, Ministry of Power.
Kens. House, South Millbank.

(Signed)
(Department)
(Date)

Action taken in Communications Department:

(Initials) ... *CD*

(Date) ... *23/1/69*

AFTER ACTION THIS FORM SHOULD BE SENT TO
THE APPROPRIATE REGISTRY FOR RETENTION

Details Of Iraqi Government's Policy Towards Iraq Petroleum Company's (IPC) Interests In Country.

Iraq: Government Policy And Iraq Petroleum Company (IPC). 28 Sept. 1968. MS Middle East Online: Iraq, 1914-1974: Selected files from series AIR, CAB, CO, FCO, FO, PREM, T, WO, The National Archives, Kew, UK FCO 67/179. Newspaper Cutting. The National Archives (Kew, United Kingdom). Archives Unbound, link.gale.com/apps/doc/SC5107458784/GDSC?u=webdemo&sid=bookmark-GDSC&xid=461bea8c&pg=1. Accessed 11 Apr. 2022.